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IN ENGLAND AND WALES

JUNE 1958

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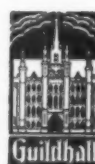
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Accountancy

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Professional Notes

The New President and Vice-President

MR. W. H. LAWSON, C.B.E., F.C.A., has finished his very heavy year of office as President of the Institute. His name will rightly go down as that of the "chief architect of integration." He exerted himself mightily and constantly to the main mission of his presidential year—to bring the integration scheme to fruition. The way in which he carried out that work and in the midst of it performed also all the other manifold duties that fall to the holder of the highest office in the Institute—not only formulating policy, but also much public speaking, travelling, committee attendance—was indeed a remarkable demonstration of capacity and service.

As recorded on pages 311-313 of this issue, Mr. William Leonard Barrows, F.C.A., Vice-President for the year 1957/58, has been elected President of the Institute for the ensuing year and Mr. Charles Urie Peat, M.C., M.A., F.C.A.,

has been elected Vice-President. We have pleasure in congratulating them both.

Mr. W. L. Barrows is a senior partner in Howard Smith, Thompson and Co., Chartered Accountants, of Birmingham and London, the firm in which he served his articles. Mr. Barrows was born in 1905 and educated at Marlborough, where he was in the XV. As an early indication of the field-marshal's baton in the knapsack, while serving under articles he was on the committee of the Birmingham Chartered Accountants Students' Society, becoming Assistant Secretary, then Secretary and later, President. He was on the committee of the Union of Chartered Accountants' Student Societies and became the Chairman. He was placed third in order of merit in the Intermediate examination of the Institute and fourth in order of merit in the Final examination, being awarded the William Quilter Prize. After qualifying, he



*Mr. William Leonard Barrows, F.C.A.
President of the Institute*

Photo: Whitlock, Birmingham

was with Barton, Mayhew and Co. until in 1931 he became a partner in Howard Smith, Thompson and Co.

Mr. Barrows has served as President of the Birmingham and District Society of Chartered Accountants. In 1941, he was elected to the Council of the Institute and has been a member of many of its committees. Many members associate him particularly with the Summer Courses at Oxford University and with two other interests of an accountancy-cum-university nature—the P. D. Leake bequest and the universities scheme. He has been a member of the Summer Course Committee since its formation and from 1956 its chairman: all who have attended the courses know how manifestly Mr.

Barrows has been a main inspiration of them. Since its inception he has been on the P. D. Leake Committee and since 1957 its chairman, and since its formation a member of the Joint Standing Committee of the Universities and the Accountancy Profession, serving as chairman of the accountancy representatives from 1948 to date. It is indeed a happy culmination of the President's activities in university and educational life—which include his life governorship of Birmingham University—that next month he is to receive the honorary degree of Doctor of Laws of that university.

Mr. Barrows is chairman of four public companies, W. & T. Avery Ltd., Duport Ltd., Evered & Co.

Ltd., and Amalgamated Needles and Fish Hooks Ltd., and a director of a number of other companies, including Mitchells & Butlers Ltd. and Renold Chains Ltd. In a crowded professional and business life, he finds time for many public offices in addition to his educational interests. He served on the Excess Profits Tax Panel set up by the Treasury. He is a member of the Board of Referees, a Justice of the Peace for the City of Birmingham and a member of the board of the Midland Teaching Hospitals. And he still finds time for shooting and gardening!

* * *

The new Vice-President, Mr. Charles Urie Peat, M.C., M.A., F.C.A., is a partner in Peat Marwick, Mitchell and Co. Mr. Peat was born in 1892 and educated at Sedbergh and Oxford University, where he obtained a law degree and a cricket Blue. In the first world war he did service in the City of London Yeomanry and was awarded the Military Cross; in the second world war he was with the 6th Durham Light Infantry, being invalided out in 1940. From 1931 to 1945 he was Conservative Member of Parliament for Darlington and he has been a Parliamentary Private Secretary to the President of the Board of Trade, Joint Parliamentary Secretary of the Ministry of Supply and Parliamentary Secretary of the Ministry of National Insurance. He served on the Committee on Fixed Trusts and is now on the Board of the Newton Aycliffe Development Corporation.

Mr. Peat was elected to the Council of the Institute in 1944. He spends his business life mostly in London but lives in Yorkshire and has business responsibilities on the north-east coast. In earlier life he played cricket for Middlesex; nowadays his hobbies are fishing and sylviculture.

Insolvency Running Level

INSOLVENCY HAS SHOWN remarkably little variation in the last six years. Receiving and administration orders in England and Wales have numbered rather more than two thousand in each of the years since 1951 and deeds of arrangement just over three

hundred in each of those years. The latest statistics are given in the *General Annual Report on Bankruptcy for the year 1957* (H.M. Stationery Office, price 1s. 6d. net).

The trade groups in which most failures occurred in 1957 were: builders; farmers; retail grocers and provision merchants; hotel-keepers and publicans; restaurant, café and snack-bar proprietors; and retail clothiers and drapers. These groups accounted for 744 bankruptcies out of the total of 2,061 and 150 of the deeds of arrangement out of 313. Regrettably, eight accountants went bankrupt last year.

Applications for orders of discharge numbered 522 in the year 1957. Only 14 of the applications were granted unconditionally, 53 were granted with conditions, 63 subject to conditions and suspension and 331 subject to various periods of suspension (233 with a period of more than one month but under one year). Only 34 of the applications were refused outright.

Of the offences against bankrupts who were convicted in 1957, the most common was failure to keep proper accounts as required by Section 158 (1) of the Bankruptcy Act, 1914, amended by Section 7 of the Bankruptcy (Amendment) Act, 1926: there were 33 of these offences.

Options

FOR SOME YEARS past a small group of brokers on the London Stock Exchange have urged the reintroduction of option dealing. Twice they submitted requests to the Council—but with negative results. This year they demanded a special meeting to discuss the subject and take a vote. Before the meeting it was agreed that whatever the result on a show of hands a poll should be taken. The result on the show of hands was a large majority in favour of restoring options: on the poll the two-thirds of members who voted were almost two to one in favour. The Council of the Exchange then decided to set up a committee to formulate suitable rules and on their formulation the present prohibition on options, which has lasted for nineteen years,



Mr. Charles Urie Peat, M.C., M.A., F.C.A.
Vice-President of the Institute

will come to an end. The framing of the rules, covering such matters as payments and associated contango business, is no easy task.

In essence, options consist of the right to buy (a "call" option) or to sell (a "put" option) given shares on a fixed future date at a price fixed at inception (this price, called the "striking price," is normally the price at inception plus interest for the period). The period is normally one, two or three months, although by agreement the option may be exercised at any time during its life. The broker sells the right or option to his client, termed the "giver," for a charge, called the "option money." The option money must be paid in any event, but the option need not be exercised. A call option will be exercised—the shares will be bought by the giver of the call at the striking price—when, the quotation for such shares having risen since the inception of the option, he decides to take his profit. Similarly, a put option will be exercised if the giver of the

put decides to take his profit on a fall in market prices. In practice, the broker for his part normally covers half his liability by a purchase or sale of the shares, as the case may be, thus being involved in contango business until the option is exercised or expires. A combined "put and call" option, carrying the right either to sell or to buy at the striking price, costs approximately twice as much as a single option.

Options used to be considered an essential part of the machinery of a speculative market, but on the other hand very few brokers dealt in them or encouraged—or, indeed, permitted—their clients to take advantage of the facility. The great bulk of the members of the Exchange making up the recent favourable vote probably wished to register their conviction that the freedom of the market should be increased, and had no intention of entering into option business. The opposition came from some members—evidently strongly represented on the Council—who,

because of possible repercussions of a political kind or for other reasons, did not wish to do anything to encourage speculation, even though forward dealing has for years been restored in other markets—in particular, those for commodities.

Private Pension Schemes

THE BACKGROUND TO the controversy about State pensions has been badly lacking in facts and figures. But some of the gaps are now filled in by a recent survey made by the Government Actuary (*Occupational Pension Schemes*, H.M. Stationery Office, 2s. net).

A card index kept by the Inland Revenue gives a record of virtually all pension schemes (other than those of the public services and nationalised industries), since application for schemes to be approved by the Inland Revenue is almost universal because of the tax advantages to be obtained. The total number of active schemes is believed to be between 35,000 and 40,000.

Material was obtained by a questionnaire sent to selected employers with schemes recorded on the card index. From the replies it was estimated that employees in the private sector of the economy who were members of pension schemes totalled 4.3 million or 42 per cent. of all employees in concerns having schemes. Adding the employees in the public service covered by schemes (2.3 million) and in the nationalised industries (1.5 million) the report arrives at a total of 8.1 million in all private schemes at the end of 1956. It is estimated that at the present time the total is of the order of 8½ million, made up of 7 million men and 1½ million women. Thus, nearly a half of the employed men in Great Britain have some provision for pensions other than those under National Insurance.

Of the schemes with more than 500 employees covered, 24 per cent. were administered by assurance offices and 75 per cent. were non-insured. Of the smaller schemes, the proportions were reversed—66 per cent. being conducted by assurance offices and 34 per cent. being non-

insured.

In 1956 the total amount paid as contributions by employers and employees to private schemes (including payments by employers for back service and deficiencies) was £246 million and of this amount the employees paid £72 million. The total paid by employees and employers in the public service and the nationalised industries was £221 million.

The number of pensioners is now more than a million. The annual pension roll in the private sector amounted in 1956 to some £50 million, to which is to be added some £150 million paid out in the public service and the nationalised industries.

Taking all the schemes together, something like a third are non-contributory, but the proportion is appreciably higher for non-insured schemes in the private sector.

Whether or not pension rights can be transferred or preserved on a change of job is an important factor affecting the mobility of labour. The survey leaves the reader thinking that here is one respect in which in the coming years there will undoubtedly be a demand for improvement in the terms of schemes.

Solicitor's Improper Transfers from Clients' Accounts

RULE 7 OF the Solicitors' Accounts Rules specifies money that may be withdrawn by a solicitor from a client account and Rule 8 provides that no other money shall be withdrawn except with the written permission of the Council of the Law Society. Practising accountants will wish to note the following statement on breaches of Rule 8 by a solicitor, published in *The Law Society's Gazette* for May, 1958:

The Council desire to direct the attention of members to a recent case which was before the Disciplinary Committee where a solicitor was found to have committed breaches of Rule 8 of the Solicitors' Accounts Rules, 1945. The Disciplinary Committee in their findings stated that the solicitor had made the improper transfers from his clients' account only in the mistaken belief that his client would almost immediately put him in funds to cover the whole of

the greater part of such payments. The Disciplinary Committee emphasised, however, that that was no excuse for infringement of the Solicitors' Accounts Rules, which first came into operation over twenty years ago. They added that no solicitor can now have any reason for not knowing and abiding by their provisions.

The Disciplinary Committee stated that they had already recorded on a number of occasions their view that it is no defence to such allegations that a solicitor had private assets from which he could ultimately meet a deficiency on client account and except for the fact that no client had lost money as a result of the solicitor's irregularities, they stated that they would have felt compelled to impose the severest penalty open to them, but instead they suspended the solicitor from practice for two years.

Checks in the Office

FIVE LEADING WORKERS in O. and M. preface their recently-published report,* with these words:

It is commonly assumed in office work that perfection is the only standard which the management can openly adopt, yet this is an expensive aim and unlikely to be achieved. Performance may fall far short of perfection without being unacceptable, if the errors are only minor, and the enforcement of a higher standard may be wholly uneconomical.

Heretical words, to the auditor at first reading. But the authors go a long way towards justifying their contention, in support of which they cite the "true and fair view" required by Section 149 of the Companies Act of 1948.

The first part of the report is on investigating the quality of office work with the aim of improving it and reducing the amount of checking, while leaving unchanged the methods of operation. A four-stage programme is set out, thus:

1. Defining the procedure in operation, including all the checks enforced;
2. Recording the errors (examples are given of suitable forms for collecting the information);
3. Raising the quality, while respecting the limitation that multiple checking

**The Control of Quality in the Office*. A Report produced by an Organisation and Methods Study group of the Office Management Association. Pp. viii+36 (Office Management Association, London: 9s. net).

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may increase errors by detracting from the individual's sense of responsibility for the quality of his work;

4. Reducing the checking by selective checks in areas that are highly significant, and by sample checks.

The second part describes changes in methods of operation calculated to reduce the volume of checking:

(a) by eliminating the transcription of information or transcribing it automatically (for example, through the use of address plates or pre-punched cards);

(b) by combining checks (for example, checking both calculations and copying by a mathematical check of the figures on the copy);

(c) by eliminating unnecessary precision (for example, by the accumulation of costs in whole pounds only).

More detailed and thoroughly practical instances of changes of these kinds are set out in cost accounting, stock valuation, invoicing, payrolls and coding.

The material in this report is original and will be read with profit by all with responsibilities for office routines, whether or not invested with the O. & M. label. Certainly there is here a devastating attack on the assumption, still often made and acted upon, that checking is a good thing in itself, and that double and treble checking are even better.

Business Letters by Machine

CONTRARY TO POPULAR belief, clerical operators were almost the easiest of workers to replace by computers, said Dr. A. D. Booth in a paper delivered at the recent Instruments, Electronics and Automation Exhibition at Olympia. "One tends to think," he said, "of the human brain as a divine instrument capable of decisions of the greatest fineness. In fact, human decisions made by armies of clerical operators in government Departments and elsewhere are of such a degree of simplicity that it is easy to get a machine to make them. This is one of the breakthroughs that machine design has effected over the last ten years—the replacement or making redundant of the clerical operator."

Dr. Booth said that no doubt an instrument could be perfected which, on receiving dictation, could produce directly a typewritten letter. The

machine might be thought a fine substitute for a secretary but, apart from being a pleasing ornament and bringing the boss tea, a secretary had almost invariably to correct his bad English! Dr. Booth did not think it would pay to use the spoken word as an input to a machine—apart from recognising the sounds as such, there was the difficulty of spelling. Instead, what was needed was a machine capable of initiating letters under its own steam. Since business letters were largely of a stilted character, many replies to incoming correspondence could be in standard form. A machine would be devised which would recognise quite well what the executive said about the nature of his morning's correspondence. "Dear Bloggs, I regret you have not paid your bill for six months" would be a perfectly standard noise and the machine on hearing it would produce a standard prepared reply.

Pages from a Brewer's Account Book

THE SECOND Samuel Whitbread, born two hundred years ago this year, had the good fortune to inherit a flourishing business from a father who had built it up by hard work from virtually nothing. Samuel II was an enlightened young man whose fame rests chiefly on his Parliamentary career—and on benevolent deeds. Elected M.P. for Bedford he agitated with great eloquence for the abolition of slavery.

At his father's death in 1796, the younger Whitbread carried on the Chigwell Street business for about three years, ably assisted on the financial side by Jacob Yallowley, the head clerk, or accountant. Then, in 1799, began a succession of partnerships which was to carry the affairs of the brewery forward to 1889, when the limited company was formed.

At the end of each year a statement was prepared showing the state of the business. The stocks of materials and beer were ascertained, the outstanding debts and loans assessed, and, finally, the profit or loss calculated. The last page of the "rest book" was left blank for the partners to sign as proof that they had agreed the

figures. Usually the term fixed in the partnership deeds was for twenty years, but only two out of a total of seven partnerships ran their full course.

Young Sam Whitbread was glad to leave the conduct of the business in more practical hands, those of a Mr. Timothy Brown and the two leading clerks admitted as associates. Under the terms of his agreement with these gentlemen Samuel was freed from attending personally to routine affairs, though, for the sake of appearances, he retained two rooms over the counting house for his exclusive use. In 1800 three additional partners joined the firm, including Samuel's cousin, Jacob Whitbread, each receiving eight guineas a week for expenses, plus free coal and candles.

Partnerships often breed discords, but only one serious dispute in the firm remains on record. Timothy Brown, in 1810, refused to sign the rest book, on the grounds that the "beer, vats, casks, utensils, and leases" had been undervalued, and the sum of £7,510 14s. 6d. improperly deducted from the debts due. "An arbitration" was proposed "conformable to the Articles," but Timothy Brown refused to be mollified and retired from the partnership, despite the intervention of Samuel (who died five years later).

Shorter Notes

Mr. G. D. Shepherd

We learn with very great regret, as we go to press, of the death of Mr. G. D. Shepherd, Past-President of the Institute, at the age of 78. Gilbert David Shepherd was senior partner in Gilbert Shepherd, Owen & Co. of Cardiff. He became a member of the Institute in 1902. He was on the Council from 1929 until 1957 and President in 1947/48. He did much public service in South Wales, where he also had many business interests. An extended notice will appear in the next issue of ACCOUNTANCY.

Annual Church Service of the Institute

A special service for members of the Institute of Chartered Accountants in England and Wales will be held at St. Margaret's Church, Lothbury, London, E.C.2, at 1 p.m., on Wednesday, July 2. The members of the Council of the Institute will be present, and the President hopes that as many members of the Institute as possible will also attend.

Honorary Degree for Sir Harold Howitt

Last month Sir Harold Howitt, G.B.E., D.S.O., M.C., D.L., F.C.A., had conferred upon him by the University of Nottingham the honorary degree of Doctor of Laws. The honour was in recognition of Sir Harold's services to the accountancy profession. Sir Harold, a native of Nottingham, served his articles in that city.

Eighth National Taxation Conference

The eighth in the highly successful series of conferences run by our contemporary *Taxation* is to be held in Southport from September 19 to 22. The conference, under the chairmanship of Mr. Percy F. Hughes, A.S.A.A., is open to members of the accountancy and legal professions and to accountants in industry and commerce. Among the addresses are one on *Taxation and Industry* by Sir Frederick James, one on *Points from Decided Cases on Profits Tax* by Mr. K. S. Carmichael, A.C.A., and one on *How the Finance Bill is Made* by Brigadier J. Enoch Powell, M.P. There will be a brains trust answering questions on quotations from the Income Tax Acts and decided cases; Mr. W. S. Carrington, F.C.A., will be the chairman, and Mr. James F. Heaton, F.C.A., and Mr. H. A. R. J. Wilson, F.C.A., will be among the members. There will also be the usual full programme of social and sporting events. Application for places should be made to the Conference Secretary, 98 Park Street, London, W.1.

President and Vice-Presidents of Cost and Works Accountants

The new President of the Institute of Cost and Works Accountants is Mr. H. J. Furness, F.C.W.A., of Hoover Ltd. The Vice-Presidents are Mr. Edward Emmerson, A.C.A., F.C.W.A., a director of Proctor Brothers (Wireworks) Ltd. (re-elected) and Mr. W. S. Risk, B.COM., C.A., F.C.W.A., chairman of the London Multiple Bakers' Alliance.

New Chairman of Inland Revenue

Her Majesty the Queen has approved the appointment of Sir Alexander Johnston, K.B.E., C.B., as chairman of the Board of Inland Revenue in succession to Sir Henry Hancock, who will retire from the public service on August 31. Since 1951, Sir Alexander, who is fifty-two years old, has been Third Secretary at the Treasury.

Yields by Electronics

A firm of stockbrokers is circulating to institutional clients every week a list of redemption yields for nearly 550 gilt-edged securities. This unprecedented range of redemption yields has been made possible by enlisting the "LEO" electronic computer. The shorter lists of yields already circulating, calculated non-electronically, will compare unfavourably with the new list for use by the larger investors in gilt-edged stocks. It is hoped that rather later on yields on industrial debentures and loan stocks will also be given.

Consolidation of Insurance Legislation

A Bill, introduced into the House of Lords, consolidates the Assurance Companies Acts, 1909 to 1946, and various enactments amending those Acts, including some relevant parts of the Companies Act, 1948.

Inquiry into Decimalisation

The British Association for the Advancement of Science has set up a study group, under the chairmanship of Sir Hugh Beaver, to investigate decimalisation. The terms of reference are: "to report on the practicability, implications, consequences both international and domestic, and the cost of a changeover to the metric system or the decimalisation of weights, measures and coinage by the United Kingdom." It is expected that a full report will be issued in about eighteen months from now. The committee has been asked to obtain information necessary for the inquiry "by taking evidence, by visiting firms and organisations, or by any other means." Many accountants will think it unfortunate that there is no member of the accountancy profession on the committee.

International Tax Service

The International Bureau of Fiscal Documentation (of Herengracht 196,

Amsterdam) records a satisfactory year in 1957. A major part of its work is answering tax questions from members and others, and the number of questions submitted last year was a record. Over 40 per cent. of the questions came from accountants, tax advisers and barristers.

Fellowships for Articled Clerks

Two articled clerks have been awarded King George VI Fellowships for study in the United States. Mr. G. Duncan, who graduated B.Sc.(Econ.) in London University in 1955 and is articled in Barton, Mayhew and Co., is to study at the University of Pennsylvania. Mr. J. F. Flower, articled in Evans Smith, Boothroyd and Co., is to study at Columbia University in the session of 1958/9.

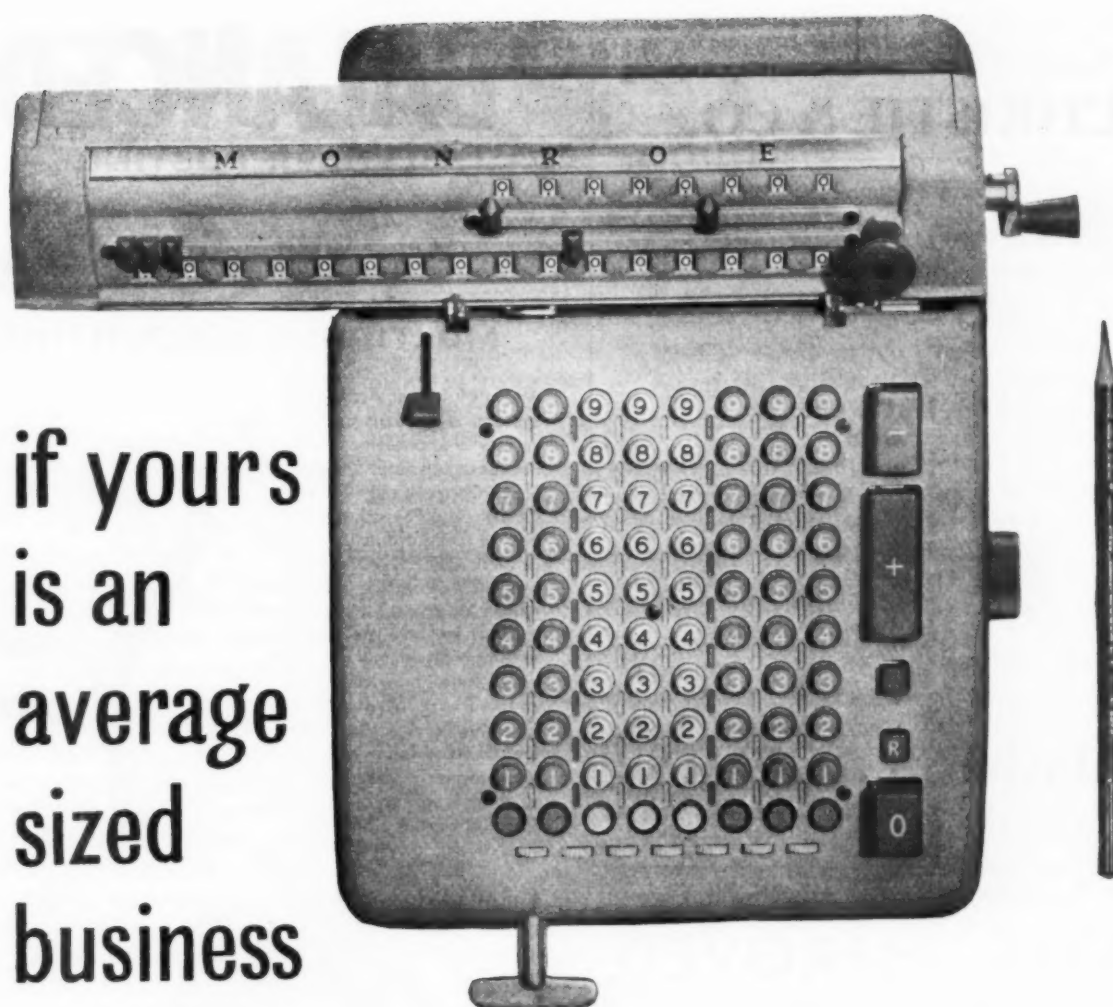
Books rather than Documents

The British Publishers' Guild is organising a pilot scheme, to run for twelve to fifteen months, by which a bookseller, when ordering single copies of a book or small quantities from a publisher, will use an order invoice with carbons, providing order, invoice and the bookseller's own record simultaneously. By reducing costs in the invoicing and accounts departments of publishers, the scheme, it is hoped, will enable more generous terms to be given to booksellers (who claim to be in a depressed trade) and avoid an increase in the price of books. A clearing house is to be set up, if the pilot scheme is successful, at which all orders on the special forms would be cleared; the clearing house would send a monthly account to booksellers on behalf of all the publishers. The finding of the Association, after more than three years of inquiry, that the main hope of economies was in cutting down documentation might suggest a line of approach in other trades.

Don't Forget the 4s. 7d.!

In days when the smallest of companies rounds off the figures in its published accounts to the nearest pound, and many, large and small, are content to approximate to the nearest hundred or thousand pounds, it is startling (and annoying) to find the shillings and pence solemnly set out in the Exchequer account of public income and expenditure. The published account for last year records total income, for example, at £5,678,674,449 18s. 3d. and the total of other receipts at £48,747,588,587 4s. 7d.

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EDITORIAL

Building Societies

TEN years ago the assets of the building societies totalled about £1,000 million. Today they are around £2,500 million. This enormous total of assets represents the holdings of some four million investors and depositors. Well over two million mortgagors are making repayments on advances from the societies. If the assets of the societies are set against those of the clearing banks, rather more than £6,000 million, or if the shareholdings and deposits are compared with the amount held in National Savings, also rather more than £6,000 million, it will be seen how significant a part of the financial complex the building society movement has become. And it has become so, one may say without exaggeration, during this last decade. While over the ten years the assets of the societies have been multiplied by two and a half, bank assets have increased by not much more than a tenth over that time, and the total of National Savings by about a twentieth. How closely the policies, practices and pursuits of the building societies now affect how large a proportion of the community does not yet seem to be generally realised.

The societies have reached this peak in the financial range not without obstacles and pitfalls in their path. The building of new houses has been far short of the demand, though large by other standards, and the business done by the societies has thus been held back. The coming of dearer money at the end of 1951, and the phases of still dearer money in the years since then, faced the societies with a dilemma. If they raised interest rates to attract new funds, or perhaps to conserve the funds they already had, they would be forced to charge more to mortgagors, old as well as new. Recent experience showed that, as a deterrent to new mortgagors, a quite stiff rate of interest was much weaker than might have been supposed, for there remained all the time a wide "unsatisfied fringe" of would-be borrowers. However, the societies, in whose make-up there is a strong element of mutuality, were concerned also for their existing customers, for whom rising interest rates meant either sizable increases in monthly repayments or postponement, perhaps for several years, of the final clearing of their mortgages. When last September Bank Rate was raised to seven per cent. the Building Societies Association advised its members not to put up interest rates to borrowers or investors, and most societies followed the advice.

Now that Bank Rate has come down again, the societies might well be tempted to congratulate themselves upon their wisdom in not chasing every move of the Court of Directors of the Bank of England. But there is a broader and longer-term aspect to this question of interest rates. In a statesmanlike address as chairman of the Building Societies Association at its recent annual

meeting Mr F. Bentley said:

it would seem to be advisable for societies when next faced with a change in the general structure of interest rates to seek to widen the margin between investors' and borrowers' rates in order to be able annually to add more adequately to reserves.

It is, certainly, in a reinforcing of reserve ratios that the widening of the range of rates would reflect itself in the balance sheets, but it is rather the exigencies of the revenue and appropriation account that call for the move. However, there is indeed cause for concern at the insufficiency of reserves. As Mr. Bentley pointed out, in the last ten years they have fallen from just over 6.0 per cent. of assets to less than 4.5 per cent. Even so, the published ratios are over-stated by the taking of investments at cost, instead of lower market values, by many of the societies (a defect which badly needs to be put right).

The rapid growth of the building society movement as a whole and the continuance within the movement—we might almost say, the continuance despite the growth of the movement—of a large number of very small units, raises other implications of even more immediate concern to accountants than those we have already mentioned. The statutory requirements governing the accounts and the audit of the societies are contained in the Building Society Acts of 1874 and 1894. Those Acts were passed when the assets of the societies were less than £20 million; their provisions are out of context in the middle of the twentieth century when the assets are £2,500 million. Admittedly, some improvement was made last year, when by Orders in Council changes were made in the form of the accounts (see ACCOUNTANCY for December, 1956, pages 474-5). Nevertheless, the time seems about as ripe for a new Building Society Act as in 1929 or 1948 it was for a new Companies Act—though the ripeness of chronological time is unfortunately no indication of the availability of Parliamentary time. This is not the occasion for us to detail the many ways in which a new Building Society Act would improve the accounts of the laggards among the societies and strengthen the auditor's hand. Essentially, all that here needs to be done is simply to point the contrast between the wording of the statutory audit report of building societies—"correct, duly vouched and in accordance with law"—and that of companies—"a true and fair view." Every accountant with experience of the accounts and audit of building societies knows how wide a chasm separates those two phrases—and how great a service would be rendered to shareholders, depositors, mortgagors and the movement itself, if the accounts of the societies had to show a true and fair view.

The substance of a talk given by Mr. Pakenham-Walsh
at the Department of Accounting, London School of Economics,
January 23, 1958

Farm Management Accounting

by A. A. Pakenham-Walsh, M.A., F.A.C.C.A., F.C.W.A.

P.D. Leake Research Fellow in Accounting in the University of Oxford

HOW MUCH AGRICULTURE Britain can afford turns upon its productivity.

The physical scientists have visibly transformed farming; and the agricultural economists are making as real a contribution, if a somewhat less spectacular one, by studying and disseminating information on the economics of (a) livestock and livestock products and of (b) crop production and fertiliser application.

For it does not follow that the technical best is always worth-while for the individual farmer or for the nation. For example,

(1) it can be worth-while to retain second year hens which lay fewer eggs than first year birds;

(2) it can pay to apply less fertilisers than, or a different mix from, the technical optima.

These examples will be recognised as belonging to the input-output stable and requiring something like a linear programming technique to solve the economic problems they contain.

Linear Programming

The mathematically minded economists will tell you that the economic problems of agriculture are not all linear, but theirs is a purist objection. Either non-linear problems can be broken down into linear parts—for example, if fattening pigs to 200 lb. has a non-linear production function because of changes in the protein/carbohydrate requirements as the animal grows older, the fattening problem can be divided into separate problems of how to feed most economically each of several stages of growth. Or, alternatively, non-optimum solutions which bring us in the direction of the optimum are preferable to no advance at all when, as with agriculture, production may not be halted until the optimum production formula is found—if you like, the theory of second best. What!—no bacon and eggs until the absolutely cheapest way of feeding pigs is found?

At any rate, I suggest the farm management accountant of the future will have to reckon with linear programming or with something like it.

All this, however, is a horizon only at the moment: for, when you have experienced a practical farmer's reaction to the comparatively simple books needed for income tax, you will be able to imagine his reaction if told that a proper feed mix for his cows needs to be determined by matrix algebra! In this connection I commend a remark in a learned journal of farm economics. "He (the family farmer) is usually unskilled in the more complex forms of statistical analysis." No, these are indeed horizons, there is a long haul first across much more mundane territory than linear programming if the usefulness of accounting is to come to agriculture.

In other large industries, management accounting reached its present useful state through the efforts of those within the industry or through consultant firms. In agriculture, although the industry as a whole is large, the typical unit is small; and even the small number of large farms has relatively few workers per farm. The structure of the industry is such, that is, that the development of management accounting is unlikely to come from within.*

As I see it, the only way is for the accountancy profession and the universities to undertake the development. Although this talk can do no more than part the curtains, I hope it will enable my hearers to glimpse the fields beyond and to want to see them cultivated.

Before turning to the more mechanical aspect of management accounting on the farm, this "background" may perhaps be filled in by saying that many of the potential advances in productivity which technology and economics have put before the farmer will remain potential and not become advances whilst the farmer lacks the means:

(1) to use the input-output standards available and to plan accordingly;

(2) to record what is happening on his farm week by week; and

* Research on management accounting specifically suitable to farming has been tiny. So far as I am aware Mr. S. V. P. Cornwell's book *Management Accounting for Agriculture* is the first of its kind in this sphere.

(3) to discover quickly where his failings, if any, really lie.

To (3) we shall return. The point I want to make here is that these three things are services which management accounting can provide, not to parallel the efforts of technologist and economist in any competitive way, but to complement their endeavours in the field.

The Mechanical Aspect of Farm Management Accounting

If management accounting is to be an acceptable instrument in the drive for higher productivity in agriculture, high productivity is required from the accounting itself—that is, like the ideal boxer, with a big punch and a small appetite, the accounting arm of the farm must have a high output of managerial usefulness and a low input of clerical effort.

What has kept the accountant out of the farm more than anything else is the slavish adherence farmers notice in accounting architecture to the twin Italian columns, Debitor and Creditor.† Farmers see very quickly that orthodox £ s. d. structures in beautifully balanced double-entry style are no better guide to their activities than the crumpled pocket diary and that the Italian twins are just two more mouths to feed from his scarcest of resources, time.

“‘Cows’ debtor to ‘feeding stuffs’ indeed,” the farmer will retort, “that cow will die in debt; and why personify ‘feeding stuffs’ and give them credit? Sure, it’s the Milk Marketing Board that keeps that cow alive.”

For success in farming the thriftless animal must go. The serious farmer has to be ruthless. But, in practice, how quickly are thriftless animals and other defects on the farm discovered? They could be, so much more quickly, if farmers were convinced about the value of recording inputs and outputs as a routine job like the milking itself and if accountants devised an easy way of doing the recording job.

Output Recording

Nothing very striking can be devised for recording the eggs laid and the milk produced each day for, say, the weight gains of pigs; but significant clerical economy is to be had

(i) from rigorously avoiding transcription from one piece of paper to another; and

(ii) from having record cards and forms pre-stencilled or printed with all ruling and standing information, and having the record cards always in the right place at the right time.

Taking these two requirements together, a card can hang at the point of delivery to first storage (for example, egg sorting room, milk churn), the card bearing the necessary ruled spaces and identifications of sources and—an absolute necessity—having a pencil chained to it. The individual delivering the eggs or milk to store makes the entries at each delivery on this original document. When removed weekly or four-weekly as suitable, the document becomes the final record, being replaced by a blank for the next period.

An output record card used for eggs coming from laying points, A, B, C . . . N is here reproduced. For illustration, some entries have been put into columns D and L which, let us suppose, are deep litter houses. As well as providing the record of output for the January weeks, the four-week totals (D 405, L 427, ALL 832) can be seen against the standard expected. The standard totals (second last row 390, 468 and 858) come from using the livestock numbers (D 25, L 30) at the top as percentages

OUTPUT RECORD														
1958 Jan.		Eggs laid												
		A	B	C	D	E	F	H	K	L	M	N	ALL	
LIVESTOCK					25					30			55	
Standard per 100 livestock					1560					1560				
OUTPUT	Week 1	Sun.			10					16				
		Mon.			15					12				
		Tues.			11					17				
		Wed.			16					13				
		Thurs.			12					15				
		Fri.			15					14				
		Sat.			13					16				
						92					102			194
	Week 2	Sun.												
		Mon.												
						94					99			193
	Week 3	Sun.												
		Mon.												

* This is not a new or novel criticism. It was voiced by Jeremy Bentham in the first half of the nineteenth century and repeated by Professor Paton of the United States in the early part of the twentieth. See Louis Goldberg's "Jeremy Bentham Critic of Accounting Method," *Accounting Research*, Vol. 8, No. 3, July, 1957, pages 218-245.

and applying them to the "STD. per 100 livestock" appearing in the third row: thus, for D, 25 per cent of 1,560 gives the STD. 390 eggs. The percentages in the last row (104 and 91) are indices of performance against standard.

Input-output Emergencies

Nor does a really serious farmer ever like to find himself in a position where, say, shortage of feeding forces him to sell cattle on a bad market or a surfeit force him to buy. He would not often encounter such emergencies were he able to budget consumption and have running records of his stock positions for instance in grain, hay and silage.

working day a year. But the time spent is more than recovered because the work gives the man an interest in, and some understanding of, what is going on. And, more important, he sees that an interest is being taken in him and he feels a gain in status from sharing in the books with his boss. The two-way traffic in "interest" is one of the main roads to good labour productivity. Although the books, in his mind, cease to be something for watching him, the moral effect of worker-kept records is considerable.

Sample checks on the actual stock position ought to be made by the farmer himself; but they should be made openly and the worker know that they are made. The

Paper v. Paperwork

Stock positions, consumption budgets, output records . . . and all the panoply of management accounting—how is a farm with its few workers to handle so much paper? The word "paper" is used deliberately and not "paperwork." The inverse correlation between paper and paperwork is the first key to low-input accounting. Now we come to a really dull bit, Everyday Examples, to illustrate how the thing works. It was a well-known Cambridge economist, I believe, who said "Now, let's take an everyday example, suppose a lion walks into this room."

"How the Thing Works," or Spreading the Load

The farmer and his men work together. In this lies the second key to a viable system of farm management records. A small farm I know very well has only two employees. They, and indeed the farmer's wife, share the very small clerical burden of making original entries.

On pay day each week the man responsible delivers up the stock position records he has completed for crops, livestock, feeding stuffs and litter. ("Litter" on a farm is straw for bedding and not account books!) As well as quoting the stocks on hand each Saturday, the records are designed for figured explanations of the changes in stock during the week. The explanations are in terms of quantities harvested, purchased, consumed and sold, and, for livestock, cover births and deaths as well. In this there is ten minutes' work (each week) for the man. Ten minutes a week adds up to a full

STOCK POSITION RECORD																			
W.E. Sat.	Net Change	IN				OUT				Died from									
		No.	From	No.	Born to	No.	To	No.											
Apl. 5 12 19 26																			
May 3 10 17 24	-8					AA In-lark	8	A-Bryn											
May 31 Jun. 7 14 21																			
									-8										
b/f	+4		+1		+3														
c/f	-4		+1		+3				-8										
Cattle																			
	All Kinds Total	IN MILK with gallons per day						DRY STOCK										1 day	
		6	5	4	3	2	1	>2	2	1	>	52	39	26	17	13	10		8	4
Mar. 29	14				1	2		5	3					3					
Apl. 5	14				1	2		5	3					3					
12	14				1	2		5	3					3					
19	14				1	1		5	3					3					
26	14				1	1		5	3					3					
May 3	14				1	1		5	3					3					
10	6				1	1		5	3					3					
17	6				1	1		5	3					3					
24	6				1	1		5	3					3					
May 31	6				1	1		5	3					3					
Jun. 7	6				1	1		5	3					3					
14	6				1	1		5	3					3					
21	6				1	1		5	3					3					
Jun. 28	6				2	1		5	3					3					

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form of STOCK POSITION record in use on the farm referred to is here reproduced with a few illustrative entries. The week ending May 10 shows as OUT a sale of fat bullocks putting —8 into the Net Change column thereby explaining the drop in ALL KINDS total (lower half of form) from 14 on May 3 to 6 on May 10. The lines May 24 and 31 show a movement of two calves from the 26→weeks age group to the 39→group.

Stock Position Records

Tying the stock position record to pay-day gets over one of the things which has always dogged farm accounts—their apparent postponability, which meant they never got done at all.

As well as meeting accountability requirements, the stock position record provides the farmer with:

(1) a ready basis for estimating what livestock can be carried in the months ahead. In the winter for example, hay, kale and silage stocks are under the farmer's nose in

the record, as they are under the animal's nose in the field, thereby helping to forestall panic buying or selling of livestock or of feeding stuffs;

(2) an automatically derived history of cropping and fertilising of the different fields, since the fields and their states each week feature in the record. This history is the background, in rotational farming, to the plan for next season. On larger farms loose cards are better for field state recording, but the principle is the same;

(3) a basis for computing what the consumptions should have been of feeding stuffs because the livestock numbers in the record are finely divided into age groups. On the form reproduced the move of two calves out of the 26→weeks age group in week ending May 31 may indicate that these calves should no longer receive milk and/or meal.

This (3) leads into costing.

[To be concluded]

"The accounts must be in the hands of shareholders within six weeks of the year end," says the chairman. How can the auditor co-operate to meet this dead-line—without loss of efficiency in the conduct of his audit?

Spreading the Work of the Balance Sheet Audit

By Patrick Edge-Partington, A.C.A.

IN RECENT YEARS more and more pressure has been placed upon the executives of public companies to publish the results of their annual trading periods in the shortest possible time after the date of the balance sheet. It is now quite usual for fully audited accounts to be available within six weeks of the end of the financial year. This tendency provides the auditor with a difficult problem. While the completion of an audit in six weeks may of itself not present undue difficulty, there is an increasing tendency for companies to end their financial years either at December 31 or at March 31.

The combination of the two factors, speedier publication of results and massing of accounting periods, would suggest that the amount of audit assistance required in the first six months of the year may be badly out of balance with that needed in the second half.

In practice, this imbalance could not be tolerated, as the auditor's assistants must be continuously employed. It is therefore necessary for the auditor to spread his work evenly over the year and the only way in which he can do so is by carrying out interim audits in advance of balance sheet date.

The practice by which the external auditor attends at times before the end of the financial year to test check against external evidence the books recording day-to-day transactions has been in force for a long time and the principle of test checking as applied to such transactions

is particularly well established for businesses having a sound system of internal check. But only recently has it become usual for test checking to be extended to most aspects of the audit, including the verification of assets and liabilities at balance sheet date. It appears that many auditors now feel that they fully comply with the overriding auditing maxim of taking reasonable care if they include detailed verification of balance sheet items in their interim programmes, and limit their end-year verification to test checking. How limited the end-year test can be depends on many factors, including the nature of the asset or liability. Let us take the main items in turn.

Petty Cash. It is already quite usual for the auditor to count the petty cash balance when he attends after balance sheet date, and if he finds no fault, he relies on the balance revealed by the books at the year end. It is therefore reasonable to assume that exception cannot be taken to the auditor carrying out this function in advance of balance sheet date, provided the accounting staff have no prior warning of his intentions and have no knowledge of whether another count will be made on or near the date of the balance sheet.

Debtors. The auditor should require that the balances on control accounts be verified physically at intervals during the year. He should make a detailed examination of debtors at some date or dates during the year, and it is suggested that if all is satisfactory he is entitled to rely on

the position shown by the books at balance sheet date, subject to a relatively limited examination of individual debts and a full examination of the list of sales ledger credits in the period immediately following the date of the balance sheet. The nearer the date of his detailed check to the date of the balance sheet, the more satisfactory from the viewpoint of the auditor.

Stock and work-in-progress. If the auditor can rely only on a physical check at the balance sheet date, then there is little that he can do in advance of physical count. However, it is becoming increasingly common, particularly in large organisations, for the stores records to be subjected to physical checks at intervals during the year. The auditor may examine these interim physical checks in all the usual respects, and compare them with the stores records; if he finds them satisfactory, he can place much reliance on the stores ledger balances at balance sheet date, and a relatively small test at that time will be sufficient. Similar remarks apply to work-in-progress—where the physical checks should be compared with the costing records.

Creditors for Supplies. The balances on the bought ledger should be checked against suppliers' statements in detail at intervals during the year. It is suggested that if these tests are found to be satisfactory they need be followed by only a short test of creditors' statements at the year end.

Fixed assets. Much of the work entailed by the verification of fixed assets can be performed in advance of the year end. It is probably simplest to carry out the normal procedures at a date about a month beforehand; only transactions affecting fixed assets in the following month then need receive attention after the date of the balance sheet. If, however, certificates are required from

third parties, they should not be obtained before the required date, although the preparation of the necessary applications can be put in hand. If the assets can be partly verified by reference to the income or expenditure to which they automatically give rise the verification can be carried out in advance of the year end—examples of such assets are investments and leasehold property. A detailed inspection of plant registers and reconciliation with the financial books can for the most part be carried out during the year, and the checking of vehicle log books may also be put in hand.

Loan debt and share capital. If verification is carried out in advance, examination of the minute book of the company will reveal any changes in these items taking place subsequent to the check.

What has been said is not intended to outline a complete programme for the verification of assets and liabilities—indeed, no two companies would require the same programme for this purpose—but only to serve as a guide to the way in which the work carried out at interim audits can be extended to the audit of the balance sheet. Certain items such as the future income tax reserve, payments in advance and expense creditors are nevertheless clearly unsuitable for this treatment.

There is often a tendency for the balance sheet audit to be carried out in an atmosphere of rush, which can for the most part be avoided if these proposals are adopted. The suggestions put forward must obviously be applied with care, and it is no doubt advisable that every few years the balance sheet audit should be performed in the normal manner. The extent to which the method may be adopted at all must depend on the efficiency of the system of internal check, the nature of the work of the internal audit staff, and the general standard of accounting achieved by the client.

Accountant at Large

The Language of the Law

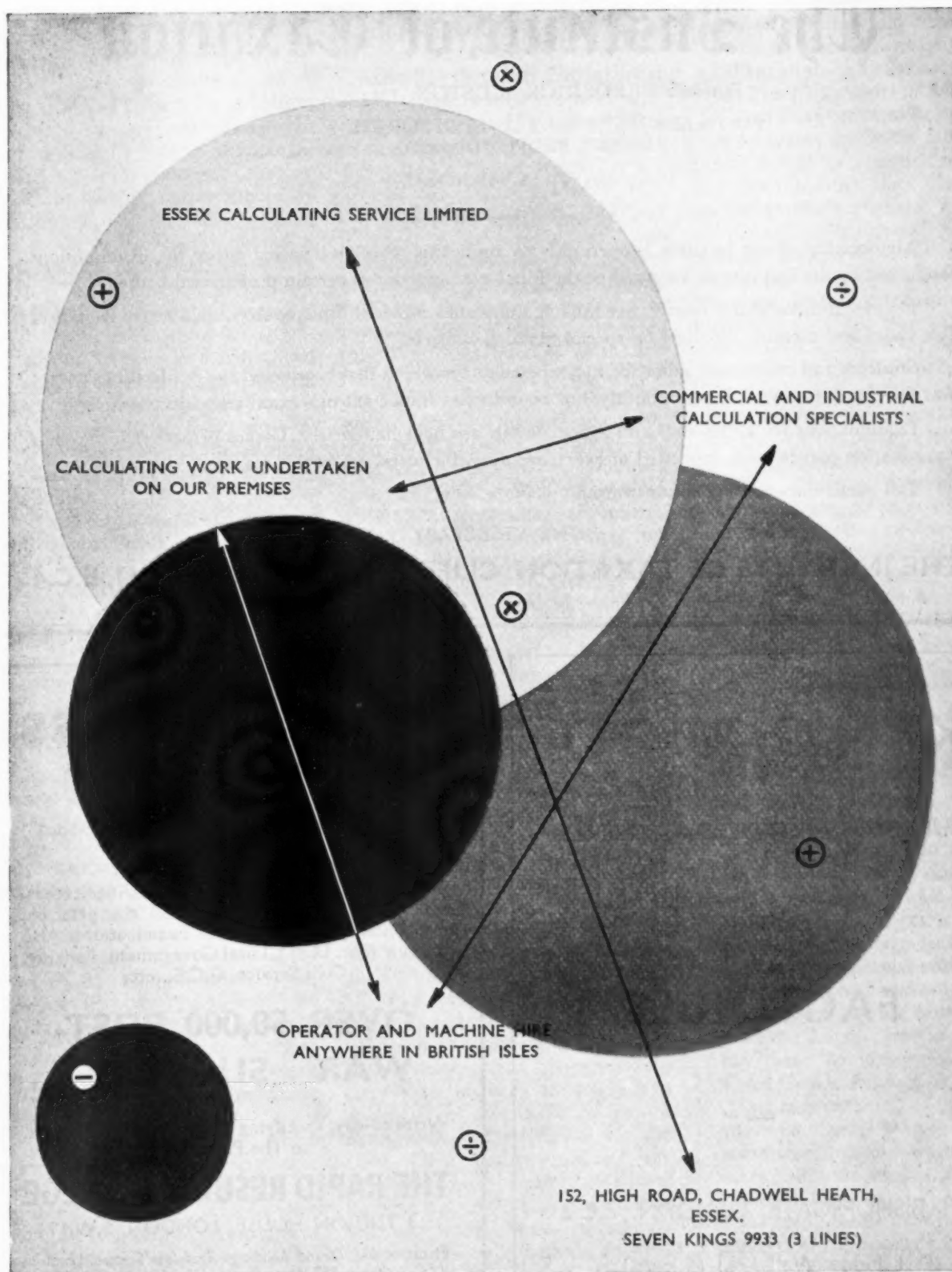
THE NEWS THAT the Select Committee on Statutory Instruments has been commenting in general terms upon the drafting of the instruments will have sent students of the law and lovers of English alike to spend fourpence on the report.* The comments of the committee are much milder in tone than some of the

hotter critics of the governmental process might wish; but we can all join in two cheers for the sentiment expressed: "your Committee appreciate that there are inherent difficulties in attaining complete lucidity in the preparation of subordinate legislation of a technical character, but your Committee would like to take this opportunity of urging upon all Departments the importance of the utmost care both in the drafting

and in the punctuation of legislation which is not capable of being amended by Parliament."

Indeed, indeed! There are "difficulties in attaining complete lucidity" in the writing of even a business letter: communication in general is difficult, and the legislators have a case. The law must above all things be certain. Everything, therefore, must be defined as precisely as possible, to minimise the litigation which every law—and especially every new law—excites. It is not easy to put one's meaning beyond all question, as everyone who has ever tried to write will agree; and when all the costly apparatus of the law, even to the House of Lords, may have to be invoked to establish the exact

*Special Report from the Select Committee on Statutory Instruments, February, 1958, H.M. Stationery Office.



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meaning in its context of one small word, it behoves the draftsman to strive for as much certainty as he can secure.

But there is another side to the medal. The lawyer in the nature of things has this anxiety for definition developed to an almost morbid degree. But the lawyer in his own field is far from blameless: the law tends to befog itself either by accepting as well defined what is in fact loose, or by refining definition until practical equivalents are held to mean different things. A gift on trust to A "until he marries, and thereafter to B" is different in effect from a gift on trust to X "but if he marries, then to Y," although the laymen cannot see any difference between the cases of A and X. In such an environment words are more important than the wisdom of Humpty Dumpty would allow.

It is natural enough that familiarity with the complexities of the English of the law should induce in one who drafts our laws, whether Acts of Parliament or statutory instruments, a highly developed sense of the dangers that surround him. There are so many possible consequences of every preposition and article, to say nothing of substantives, that every new law becomes more complex than its predecessor. And, undoubtedly, absence of definition does bring its consequences in the courts. In *Plain Words* Sir Ernest Gowers reminds us of the enormous body of expensive litigation provoked by one attempt at simplicity in a statute—the famous "arising out of and in the course of" the workman's employment, in the Workmen's Compensation Act, 1906; while the "negligence" of bankers, under the Bills of Exchange Act, is another such example. Simplicity does not necessarily cut down litigation; but does the multiplication of words serve us better?

A statutory instrument which many accountants will remember from the war years was S.R. & O. Number 1620 of 1939, "The Defence (Finance) Regulations Amendment (No. 2) Order, 1939." Section 3 (1) of that Order offered no particular difficulty of construction, certainly to anyone who is at all conversant with

the law; but it consisted of one sentence, with subdivisions (a), (aa) and (b) and in (b), sub-divisions (i) and (ii)—and the one all-embracing sentence had 265 words.

Accepting that legal draftsmen are encompassed in a palissade of difficulties, yet let it not be suggested that the clarity underlying these particular 265 words is always present. A law may be clear to the lawyer and incomprehensible to the layman, and it is then a bad law; it may be so incomprehensible that even lawyers are no longer certain of its meaning; and then the law is a *reductio ad absurdum*. Can it really be believed that it is in the interests of the law for any sentence to swell to 265 words? When we remember that statutes and instruments alike find their interpreters in textbooks and legal journals and indeed, this long time past, in the explanatory memoranda to the instruments themselves, the layman wonders even more whether the unintelligible precision in the wording of the statutes and instruments is really so necessary. In another context in *Plain Words* we find quoted with approval the simplicity of the anonymous Post Office notice: "Postmasters are neither bound to give change nor authorised to demand it." *O si sic* our legislators!

The courts are on the side of the layman in his struggle to understand what the law says he must do. It is perhaps not unfair to suggest that judges are more tolerant of obscurity when it has a good legal ancestry than when it is found in new legislation; but, whether or not that gloss is justified, there is a good line of cases in which judges have pointed the dangers and the injustice of so wrapping the law in verbiage that the ordinary citizen has more difficulty than he need in being law-abiding. Ten years ago, in *Southwark Borough Council v. Nightingale*, the Lord Chief Justice said of the London County Council (General Powers) Act, 1947, that it contained Sections which were exceedingly obscure and involved, and added that he considered it unfortunate that costermongers and small traders should have to find out what such an

obscure Act meant; and Singleton, J., agreeing with the Lord Chief Justice, remarked that the Act reminded him of an old ditty:

I thought when I learned my letters
That all my troubles were done,
But I find I am sadly mistaken;
They have only just begun.

Accountants are better fitted than street traders to comprehend Acts and instruments. But when the lawyers themselves cannot agree on the meaning of legislation, how can even accountants be saved? The law touches nearly all of us, in one regard or another, in the tortuosities of the Finance Acts if not elsewhere. And Acts at least have had the benefit of Parliamentary consideration; statutory instruments, which in their nature provoke more irritation in the governed, in their nature also must be more liable to the pitfalls of obscurity. The Select Committee has lately "been able to pay more attention to the drafting of Instruments and the contents of Explanatory Notes." Everyone will wish the members of the committee health and strength in their continued endeavours.

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On Making a Will

BEFORE A CLIENT goes to his solicitor for the drawing up of a will, there are important points for consideration—and some of them may be difficult to “put over,” particularly to an elderly client. Nevertheless, the accountant should not fail to give guidance on any of the points that may apply in the particular circumstances. For his part, the solicitor ought to be thankful that he takes over partly prepared ground!

We here confine ourselves to the points arising when a husband is making a will by which he wishes his wife to benefit or a wife is making one by which she wishes her husband to benefit. In what follows, the situation is one in which the husband is making the will, but the same principles apply where the wife is making it.

It is well to consider the position by stages.

Will in contemplation of marriage

Marriage at once revokes a will unless the will is expressed to be made in contemplation of marriage with a particular person and that marriage is actually solemnised. Therefore, if the will is being made before marriage, the bride must be named. And, though the thought may be distasteful at the time, prudence dictates that the will should provide for what is to happen to the estate if the marriage does not take place. Accidents (and other events) do happen!

The widow's immediate needs

Unless the wife has private means, a well-drawn will should provide for a cash payment to the widow soon after the death. It was the custom to make it not payable immediately in case husband and wife died in such circumstances that it was not known which died first and double estate duty might have become payable under the *commorientes* rule. Commonly, the payment was to be made a month after the death, which gave the personal representative some elbow room to see of what the estate consisted. The personal chattels were quite often left in a similar way.

The Finance Bill, 1958, contains a Clause in respect of deaths after April 15, 1958, providing that where two or more persons die in circumstances which render it uncertain which of them survived the other or others, the property chargeable with estate duty in respect of each death is to be ascertained as if they had died at the same instant and all relevant property had devolved accordingly. These provisions do not restrict the relief to husbands and wives. Sub-clause 2 of the same Clause provides that property shall not be deemed *for purposes of estate duty* to pass, or to have passed, on a person's

death because on a later or simultaneous death (occurring after April 15, 1958) a testamentary disposition of that property takes effect under Section 33 of the Wills Act, 1837, or otherwise as if that person had survived the testator. That Section prevents any legacy from lapsing where the legatee is a child or other issue of the testator who dies before the testator but leaves issue living at the testator's death.

Readers will notice that these new provisions are restricted to relieving the estate of the person upon whom the property will devolve from estate duty on the property. The rules relating to the devolution of property either under the terms of a will or on an intestacy under the Administration of Estates Act, 1925 (as amended by the Intestates' Estates Act, 1952) are unaffected. Where the husband and wife do not die in circumstances rendering it uncertain which of them survived the other, it may be possible to claim quick succession relief against the estate duty payable on all the property passing from one to the other.

Avoiding estate duty on the widow's death

It must be remembered that settled property which has borne estate duty (or would have borne it but for the fact that the estate was too small) on the death of one party to the marriage is exempt from estate duty on the death of the other party. It is therefore desirable for the husband to leave his estate in trust for his widow for life, with remainder to the children or other indicated beneficiaries, so that no estate duty will arise on it on the widow's death.

What if the estate does not produce enough income to keep the widow? The husband should be warned not to provide that the income is to be made up by resort to capital because any amount so paid out of capital would attract income tax under Section 170, Income Tax Act, 1952 (Compare *Brodie's Trustees v. C.I.R.*, 17 T.C. 432; *Cunard's Trustees v. C.I.R.*, 27 T.C. 122; *Moroni's Trustees v. C.I.R.*, 30 T.C. 147, etc.). The better course is to give the trustees of the estate the absolute power to advance capital to any beneficiary. It may be useful, too, to give the trustees power to lend money to a beneficiary.

The trustees

The husband should choose his executors and trustees with care, in the confident knowledge that they will carry out his intentions, particularly as to advances out of capital. If the wife is named as one, it should be provided that the power to advance capital cannot be exercised while she is the sole trustee, otherwise it might be held



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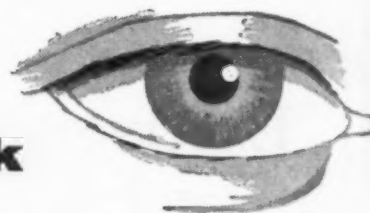
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that on her death she was competent to dispose of the property and that it was therefore liable to estate duty.

The income

With the aim of minimising the income tax liability, it is useful to provide in the will that there shall be paid to each child who is under the age of sixteen or if over that age still at school or serving articles, etc., such sum as will bring the child's income up to the maximum which will not deprive the widow of the child allowance. Now that the child allowance is available for surtax as well as income tax this is more helpful than ever. It is unwise to specify an amount, as the maximum changes from time to time.

Discretionary trusts

Where the estate is considerable and there are a number of beneficiaries, a discretionary trust may be provided for, by which part of the estate is put in trust for the beneficiaries, but the trustees are given absolute power to decide as to the distribution of both income and capital. This arrangement has many merits. It is the easiest way of making sure that a beneficiary does not waste the substance of the bequest and for providing for the various real needs of various beneficiaries. Moreover, estate duty will not be payable on unappropriated trust funds until the death of the last but one of the beneficiaries. Where

shares in a company controlled by not more than five persons are involved, the arrangement has the further merit that if an apportionment were made for surtax, the income apportioned to the discretionary trust would bear no surtax. If desired, the trust can be for a limited period, followed by division in a stated way if the trustees have not already appropriated the trust funds.

Some other precautions

To the general rule that if the person entitled to a bequest by will has predeceased the testator the bequest lapses, there is one exception—namely, where the beneficiary was the child or other issue of the deceased and had himself issue who survived him. In that event the gift does not lapse, but falls into the estate of the beneficiary.

The gift does not necessarily go to the issue of the deceased beneficiary; it will go as directed in his will (if any). A person making a will should consider this point; it is often wise to provide that if a beneficiary predeceases the testator, his gift shall go in a stated other direction.

The person making a will should contemplate the possibility that his trustees may want to appropriate in specie to meet legacies, etc. They should be given the right to do so without any consents from legatees, otherwise *ad valorem* stamp duty may be payable.

Business Succession

RECENTLY THE High Court was called on to decide what circumstances fixed the actual date of succession by a limited company to a partnership business and whether such a succession could take place only if there was an enforceable legal or equitable right. The case was *Angel (Inspector of Taxes) v. Hollingworth & Co., Commissioners of Inland Revenue v. Cook* [1958] T.R. 83.

In 1949 the business in question, a very old-established one at a paper mill in Maidstone, was a partnership which consisted of two people, a Mr. A. R. Cook and a Major Pitt. At a meeting held in November, 1949, when the two partners, a senior employee and representatives both of the solicitors and of the auditors of

the partnership were present, it was decided to turn the business into a limited company to be incorporated at the end of March, 1950. It was arranged that the existing business should be sold to the company with effect from March 31, 1950, the end of the partnership financial year, and the amount of share capital to be issued should be decided thereafter as soon as the auditors had prepared a balance sheet and a valuation of the assets had been made.

In January or February of 1950 the senior employees of the partnership were told and the bank manager and other people interested were also informed. In February the accountants advised the Inspector of Taxes by letter that steps had been taken to

register a company which would take over the partnership business as from April 1, 1950. In February and March company headed notepaper was ordered and the lorries were repainted with the name of the new company. On March 15, 1950, Mr. Cook and Major Pitt promoted the company. It was incorporated on March 30 and they became its directors, each subscribing one share.

From April 1 both men regarded themselves as acting for the company, not the partnership, and considered their personal representatives as bound by the agreement. They distinguished between the partnership and company transactions in the accounts.

No circular was sent to customers informing them of the change in the ownership of the business but the name plate of the company was put on the office door at the beginning of April.

After the assets as at March 31 had been valued, a further meeting

took place on May 30 to discuss the vending agreement; the taxpayer, Major Pitt, and representatives of the accountants and solicitors were present. On June 9, 1950, the first formal directors' meeting was held and the vending agreement was signed. It recited: "And whereas, such sale was negotiated before March 31, 1950, and the basis of the agreement is that the sale should have effect as from March 31, 1950."

The taxpayer was assessed for income tax under Schedule D in respect of partnership profits for 1949/50 of £17,684 and for 1950/51 of £9,654, with additional surtax assessments of £3,194 for 1949/50 and £4,771 for 1950/51. He appealed, and the question was whether the company had succeeded the partnership on April 1, 1950, or on June 9, 1950.

The taxpayer relied on four arguments. There was, he said, a firm contract in November, 1950, that the business should be transferred to a limited company: the consideration therefor was one of the terms of that contract. The formation of the company was done in pursuance of the contract. There was a *de facto* succession on April 1, 1950, and the previous partners were then in a fiduciary position in regard to the company. Finally, on behalf of himself only, Mr. Cook said that even if the partnership was still carrying on business until June, 1950, income between March 31 and June 9 belonged to the company, not the partners, and should not be treated as his income for surtax.

On the other hand, the Crown said the evidence showed that the taxpayer and Major Pitt had first intended to sell their business to the company with effect from March 31, 1950, but before the terms of the sale were agreed it was postponed, at the instance of the partnership, until, in effect, June 9, 1950. The only effect of the evidence of *de facto* succession, said the Crown, was to show that it had been similarly postponed until June 9. Agreement between Mr. Cook and Major Pitt on the terms of sale was not reached until May 30, 1950, and, therefore, no legal or equitable rights in connection with the sale would have arisen before that

date. Finally, said the Crown, on the evidence the cessation of the partnership business was June 9, 1950, and there was no evidence supporting the contention that the partnership income between March 31 and June 9, 1950, belonged to the company.

This last argument appeared to be a strong one but neither the Special Commissioners of Income Tax nor Mr. Justice Vaisey would agree to it. The Commissioners found there had been a *de facto* succession by the company to the partnership business on April 1, 1950, and allowed the taxpayer's appeal. On the Crown's appeal the Court said the decisions made in November, 1949, had been carried out save that the date of completion had been delayed. The matter had remained one of mere intention and negotiation right down to formal completion on June 9. But it was not necessary as a prerequisite to a valid succession that it should have been based on an enforceable right, legal or equitable, existing at the moment of alleged

succession.

The *de facto* entry on April 1 was proved. There had been an anticipated right which duly materialised into an existing right. The Commissioners' conclusion was justified on the facts and was in accord with common sense. The learned Judge refused to speculate whether the Commissioners' conclusion could have been supported apart from the case of *Todd v. Jones Bros. Ltd.* (1930), 9 A.T.C.197; 15 T.C. 396. In this case, decided in 1930, it was held that the date of the formal contract governed the succession because there was no evidence of an earlier *de facto* succession. The question of succession does not depend on any special provision of income tax law but on the ordinary rules of law applicable to contracts.

The case *Angel v. Hollingsworth and Co., Commissioners of Inland Revenue v. Cook* thus provides further authority that, in certain circumstances, *de facto* succession is sufficient.

Surtax and Companies—IV

Previous articles in the series have been:

I. The three provisions determining whether or not a company is one whose income may become liable to surtax ... **March, 1958 (pages 129-30)**

II. Apportionments (an aspect of one of the three provisions) ... **April, 1958 (pages 184-5)**

III. Distributions ... **May, 1958 (pages 239-40)**

Clearance

If it is considered that no direction is likely in respect of the profits of any year, a clearance under the provisions of Section 252, Income Tax Act, 1952, should be obtained. At any time after the general meeting at which the accounts for the year are adopted a copy of the accounts,

together with the directors' report and any further information which it is considered may be required, should be forwarded to the Special Commissioners. The Commissioners may not later than twenty-eight days after the receipt of the above information require the company to supply further information within twenty-

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eight days. These time limits are not affected by the Finance Bill, 1958. Unless the Commissioners intimate to the company, within three months after the receipt of the accounts or that further information or the expiry of the period during which the further information was required, that they intend to take further action, their right to make a direction ceases. Even if they indicate that they will take further action, unless they do so within six months they will be unable to issue a notice to the company requiring details of the actual income, etc., for the year and the names, addresses and rights of members, and will not be able to make a surtax direction for that year. To obtain the protection of Section 252, its provisions must be strictly observed. See *F.P.H. Finance Trust Ltd. v. C.I.R.* (1946) A.C. 38.

Directions

The request for an intimation from the Special Commissioners whether they propose to make a direction cannot be detrimental to the company. If a direction is probable, the machinery of the Inland Revenue will ensure that the accounts of the company come under review. If the balance sheet shows accumulated profits, loans to directors coupled with small sums for directors' remuneration and considerable liquid assets in the form of cash and investments, the Commissioners will be informed. They may make a direction at once or may by notice in writing require the company to supply them with:

(a) a statement of the actual income of the company from all sources, together with a copy of the accounts of the company for any year or other period for which the accounts have been made up, and such particulars as they may reasonably require as to the income of the company and the manner in which the income has been dealt with; and (b) a statement for the same period of the names and addresses and particulars of the respective interests of all members of the company.

The "actual income" from all sources for any year or period is the income computed according to the

provisions of the Income Tax Act, 1952, relating to the source from which the income arose for the year in question and not on the basis of any other year or period. Balancing charges are not income for this purpose (*C.I.R. v. Wood Bros.* (1958) 36 A.T.C. 259).

Illustration

Beehive Ltd. has always made up its accounts to December 31. The profit and loss statement for the year ended December 31, 1957, was as follows:

	£	£
Profit on trading (before charging the items inset below)		178,200
Less:		
Directors: Fees ..	1,000	
Salaries ..	7,000	
Auditors' remuneration	500	
Debenture interest (gross) to Wasp Trust Ltd. (not a "controlled" company)	500	
Loss on sale of motor lorries	200	
Depreciation of fixed assets	8,700	
		17,900
		160,300
Investment income (gross):		
3½ per cent. War Loan, held for 10 years ..	140	
Bank deposit interest, account opened 1950 (1956 £58)	60	
Tax Reserve Certificates interest	100	
		300
Profit before taxation ..		160,600
Estimated taxation:		
Income tax	69,000	
Profits tax	8,000	
		77,000
		83,600
Appropriations:		
General reserve	65,000	
Dividends (net) proposed	5,750	
		70,750
		12,850
Balance brought forward		86,300
Balance carried forward		99,150

Apart from expenditure of £460 on improvements included in repairs and £40 for charitable subscriptions, all items charged in arriving at the profit on trading were allowable. Prior to March 31, 1957, the company occupied a factory at a rental of £2,800 per annum; the net annual value (N.A.V.) of the factory was £2,400 per annum. Since that date the company has been owner-occupier of another factory with a net annual value of £1,500 per annum.

The capital allowances were:

1956/57 ..	£8,470
1957/58 ..	£9,360

The actual income of the company for the year to December 31, 1957, would be:

	£	£
Profit before taxation ..		160,600
Add:		
Depreciation		8,700
Loss on sale of motor lorries		200
Debenture interest ..		500
Improvements		460
Charitable subscriptions		40
		170,500
Less:		
N.A.V. of property owned		
9/12 of £1,500 ..	1,125	
Investment income ..	300	
Capital allowances		
3/12 of 1956/57 allowances of £8,470 ..	2,118	
9/12 of 1957/58 allowances of £9,360 ..	7,020	
		10,563
Actual profit less capital allowances		159,937
Net annual value of factory, 9/12 of £1,500 ..		1,125
War Loan interest ..		140
Bank deposit interest ..		60
		161,262
Less: Debenture interest		500
Actual income for accounting period ..		160,762

[To be continued]

The Finance Bill

IN OUR LAST issue (pages 234-5 and 238) we gave the provisions of the Finance Bill, 1958. We now discuss certain of the provisions in greater detail.

Profits Tax—Transitional Provisions

Outline

The transitional provisions are designed to prevent a company from avoiding the higher rates of profits tax payable until March 31, 1958, on net relevant distributions by the simple expedient of reducing the rate of any dividend declared on or after Budget Day—April 15, 1958—that would be related in the ordinary way to a period prior to April 1, 1958. (In this article the term "company" is used to mean any body liable to profits tax.)

The scheme set out in the Bill is to take as the standard the rate of the dividend for the last accounting period to which a dividend could not be related if declared on or after April 15, 1958—termed the "standard period."

Any dividend regarded as attaching to a period between the standard period and April 1, 1958, will (if smaller) be regarded as at the same rate. The only excuse will be that there has been a fall in profits between the end of the standard period and April 1, 1960 (or the earlier cessation of trading).

Standard Period

The standard period is defined as the last period of account for which either:

(a) the rate of dividend cannot be affected by virtue of Section 35 (1) (a), Finance Act, 1947, by any declaration of dividends made on or after April 15, 1958, or

(b) the company in general meeting has before that date finally decided the total amount of the dividend (if any).

Section 35 (1) (a) enacts that there are to be included as gross relevant distributions (G.R.D.) of a chargeable accounting period (C.A.P.) divi-

dends declared not later than six months after the end of the period but expressed to be paid in respect of it or of part of it. In certain circumstances the period may be extended and it should be made clear whether the extension is to apply here.

The Bill provides that if the length of a period of account is less than that regularly adopted, it is not to be treated as the standard period unless the Commissioners of Inland Revenue (C.I.R.) are satisfied that the length of the period was determined before April 15, 1958.

Where the declaration in general meeting is on or after that date, but the directors had publicly announced their recommendation of the dividend before that date, the declaration is deemed to have been made before that date.

Rate of dividend, etc.

The rate of dividend or rate of earnings for any period is to be taken as referring respectively to the monthly rate relative to the amount of paid-up share capital at the end of the period of the dividends included in the G.R.D's. of the period and to the monthly rate relative to the said amount of the profits for the period computed without abatement and including franked investment income (F.I.I.). A fraction of a month is treated as a month. If the period is not a period for which accounts are made up (referred to as a "period of account"), the rate is to be the rate or the average of the rates for the period(s) of account in which it is comprised (any average being taken according to the number of months and parts of a month at each rate in the period), and the G.R.D's. for a period of account which is not a C.A.P. are to be computed as if it were.

Shares paid up since the end of the standard period by capitalisation of profits distributable by way of dividend are to be ignored to that extent.

Dividends "deemed" to have been paid

If the rate of dividend for any C.A.P. falling between the end of the standard period and April 1, 1958, is less than the rate for the standard period, the G.R.D's. for that C.A.P. are to be deemed to include an additional distribution to bring it up to that rate computed on the paid-up share capital at the end of the period. If there is more than one such C.A.P. and the rate of dividend is higher for one and lower for another, the excess in the one period can be set against the deficiency in the other.

In no case is the amount to be added to the G.R.D's. to be greater than will make the total dividends included exceed three-fifths of the profits for the period computed without abatement and including F.I.I.

Relief

If a company has been charged to tax on dividends deemed to have been paid and for the period between the end of the standard period and April 1, 1960 (or earlier cessation of trading) both the rate of dividend and the rate of earnings are less than for the standard period, relief is to be given to secure that no more tax is charged by virtue of the above provisions than would be chargeable if the rate of dividend for the standard period had been the higher of:

(a) the rate of dividend for the C.A.P.(s) in question, or

(b) the ratio that bears to the rate of dividend for the standard period the same proportion as the rate of earnings for the C.A.P.(s) bears to the rate of earnings for the standard period.

Comment

Why it should be necessary for a company to pay the same rate on new capital is not understood. Surely it should not be penalised if it pays the same amount of dividend in total?

Groups of Companies

A grouping notice given before the passing of the Act may be revoked within six months from the passing of the Act or such longer time as the C.I.R. may allow. A notice so revoked will have no effect after March 31, 1958.

Any election given by an assurance

company to have the investment income of a subsidiary treated as profit of its (the parent's) life assurance business can be similarly revoked.

Illustration (1)

Company making up accounts to December 31. Share capital at December 31, 1956, £20,000. Dividend declared in June, 1957, in respect of 1956, £5,000 (gross). Share capital December 31, 1957 and 1958, £30,000, including £4,000 issued as fully paid up out of capitalised profits. Dividend declared in June, 1958, relating to 1957, £6,000.

Rate of dividend of standard period:

$$\frac{5,000}{20,000} = 25 \text{ per cent.}$$

Rate of dividend of C.A.P. January 1 to December 31, 1957:

$$\frac{6,000}{26,000} = 23.077 \text{ per cent.}$$

A further 1.923 per cent. on £26,000 will be deemed to have been paid to bring the rate up to 25 per cent.

The total dividend included in the G.R.D. of 1957 becomes:

	£
Dividend paid	6,000
Add 1.923 per cent. on £26,000	500
	<hr/> 6,500 <hr/>

The amount to be added must not be greater than will amount, with any dividends paid, to three-fifths of the profits for the period without abatement and including F.I.I. Assuming the 1957 profits before abatement and including F.I.I. were £10,100, the amount to be included must not exceed three-fifths of £10,100 = £6,060. The amount of £500 added above would be reduced to £60 in such circumstances.

The rate of dividend for the C.A.P. January 1, 1958, to March 31, 1958, would be computed by reference to the standard period rate of 25 per cent. per annum, or 2.083 per cent. per month, subject to any restriction in respect of profits earned.

Illustration (2)

Capital throughout, £20,000. Rate of earnings in standard period £2,000 per month; in period from end of standard period to March 31, 1960, £1,800 per month. Rate of dividend in standard period 25 per cent. per annum or 2.083

per cent. per month. If dividends have been reduced between the end of the standard period and April 1, 1958, the maximum dividend to be included in the G.R.D.'s. in that interval will be those paid or, if greater, $18/20 \times 25$ per cent. = $22\frac{1}{2}$ per cent. per annum or 1.875 per cent. per month.

Profits Tax and Foreign Parent Companies

During the debate on the second reading of the Finance Bill, the point was raised that many subsidiary companies in the United Kingdom with parent companies in the United States would suffer from the alteration in the rate of profits tax. The Board of Trade had issued a booklet called *Make it in Britain*, in which it was pointed out that dividends paid to the parent company by subsidiaries of companies managed and controlled in the United States or Canada or elsewhere abroad were disregarded in calculating net relevant distributions, with the result that the profits bore only the lower rate of profits tax. The Chancellor of the Exchequer dealt with this point by saying that he could not see any ground on which they could relieve foreign companies and their subsidiaries here of a burden of corporate taxation which fell on all concerns trading in this country. He did not believe that this factor was of sufficient weight compared with other far more important considerations to sway the decision of foreign investors. British companies trading abroad had to pay tax to foreign Governments on the profits which they earned there and there was no justification in relieving foreign companies trading here of the effects of a uniform tax falling on all our own concerns. To do that would put the foreign companies into a preferential position.

It seems to us that it is probable that when double taxation relief overseas is taken into account, the effect of the change in profits tax will, in fact, be much reduced.

Many of the companies to which reference has been made in the Press on this point were established here long before the two-tier system of profits tax was introduced in 1947—indeed, before profits tax was intro-

duced at all. The position of companies more recently established in Northern Ireland was instanced in the House and there may be some argument on the point in their favour. With subsidiaries established a long while in this country the position has varied from time to time. It must not be forgotten that the lower rate of profits tax from 1947 to 1951 inclusive was 10 per cent. It is true that this was allowed as a deduction for income tax which roughly halved it.

Time Limits

The proposed increases in the times allowed in which to make certain claims and appeals will be generally welcomed. We should have liked an extension of the limit of one year on the claim to continue on the "previous" year basis on a change in partners, but this one is not included in the Bill. Extensions to *six years* are to apply to the following (the Sections giving rise to the claims are those in the Income Tax Act, 1952, unless otherwise stated):

(i) Schedule A claims for void relief (Section 107) and for lost rent (Schedule 23, Part II, paragraph 9), and appeals for the discharge of assessments because of voids (Section 107 (Schedule A) and Section 115 (Schedule B)).

(ii) Claims for adjustment of business assessments to the actual profits of the second and third years of assessment of a new business (Section 129).

(iii) Claims for adjustment of the first assessment to be based on the previous year basis under Cases III, IV and V (Sections 131 and 133).

(iv) Management expenses claims of assurance and investment companies, savings banks, etc. (Section 425), and of owners of mineral rights (Section 181).

(v) Relief for loss on the transfer of a business to a company for shares in it (Section 343).

(vi) Claims for spreading lump-sum receipts for the sale of a copyright (Section 471). The time limit for a claim by the recipient to spread copyright royalties or other sums payable periodically in respect of copyright is to be eight years after the first publication of the work (Section 22, Finance Act, 1953).

The following time limits are to be increased to *two years*:

(vii) Claims in connection with spreading receipts on sales of patent rights (Section 318).

(viii) Elections for the herd basis (Schedule 20, paragraph 2, and Section 23, Finance Act, 1953).

(ix) Elections to set against other income those capital allowances which are available primarily against specific classes of income to the extent that they exceed such income (Section 324).

(x) Claims to have the income for the year of assessment adjusted by reference to losses may, in future, be made within two years after the year of assessment (Section 341).

(xi) Claims on cessation of a source of income under Case III, IV or V, where no income was received in the last two years. The claim must be made within two years after the end of the year of assessment in which the source ceased and not later than eight years after the year in which income last arose (Section 18, Finance Act, 1952).

(xii) Claims to be treated as a cessation where no income has been received on a source under Case III, IV or V, for six years of assessment must be made within two years from the end of the six years (*ibid.*).

(xiii) Election to be assessed under Schedule D, Case I, on woodlands managed on a commercial basis (Section 125).

(xiv) Claims in connection with the exchange of securities on conversion operations, nationalisation, etc. (Sections 434 and 435).

(xv) A subvention payment will rank as such if made in or before the second year of assessment following that in which the accounting period of the payee company ends.

The time for the following appeals, etc., is to be increased to *thirty days*:

(a) Appeal against a Schedule A assessment in a year of revaluation (Section 51).

(b) Request for a case for the High Court (Section 64).

(c) Appeal against the decision of the Commissioners of Inland Revenue on an error or mistake claim (Section 66).

(d) Appeal against a refusal to allow a repayment of tax in respect of bank interest (Section 200).

(e) Appeals in connection with surtax on controlled companies (Sections 247 and 248).

(f) Appeals in connection with exemption of a charity (Section 450).

(g) Appeals regarding copyrights sold for a lump sum (Section 471).

(h) Repudiation of or retiring from a settlement of appeal by agreement (Section 510).

(i) Appeals respecting recovery of tax

from a landlord (Schedule 7, Part I, paragraphs 1 and 2).

(j) Claims by personal representatives to spread capital sums chargeable in respect of patent rights (Schedule 13, paragraph 1).

(k) Appeal by a resident in the Republic of Ireland against a decision that he is resident in the United Kingdom (Schedule 18, Part III, paragraph 4).

(l) The time for submitting a statutory declaration by the directors of a controlled company (for surtax) (Section 251).

(m) Appeals in connection with an underwriter's loss to be set off against his special reserve fund (Schedule 21, paragraph 7).

(n) The minimum time for hearing an appeal against a surcharge (Section 42) and within which a person served with a surcharge may submit an amended return (Sections 43 and 45).

(o) Appeals to the recorder or county court judge in Northern Ireland (Schedule 23, Part I, paragraph 4).

Estate Duty Concession

During the second reading of the Finance Bill on May 12, the Financial Secretary to the Treasury (Mr. J. E. S. Simon) announced a concession to cover cases similar to those to which the decision in *re Hodge's Policy* (1958) 36 A.T.C. 270 applies. The terms of the concession are:

Where a beneficiary is absolutely and indefeasibly entitled to a policy of assurance for a sum of money payable on the death of another person, no duty will be charged thereon on the death of that person, provided that the beneficiary became so entitled more than five years before the death and the life assured neither retained any benefit for himself nor paid any premiums within the five years. Where the other conditions are satisfied, but the life assured paid some premiums in the five years before his death, the claim to duty will be limited to the proportion of the policy moneys corresponding to the ratio between the premiums paid by the life assured during the five-year period and the total premiums. The concession will apply in respect of deaths after Budget day, April 15, 1958.

It is probable that this concession will last for only a year, as it is hoped to legislate in the Finance Act of next year on the treatment of life assurance policies under the estate duty law.

Taxation Notes

Trading With or In the United Kingdom

Whilst a person who is not resident in the United Kingdom (U.K.) is chargeable to U.K. income tax on any profits arising from a trade carried on in the U.K., such a person merely trading with the U.K. cannot be charged to U.K. tax on his profits. The importance of the distinction between trading with and trading in the U.K. is, therefore, apparent.

An exporter is obviously not carrying on his trade in every country to which he sends his goods to meet the demands of customers. The mere soliciting of orders in a particular country does not amount to trading in that country, and it can make no difference whether the soliciting of orders is done by the principal himself or by his having an agent in the U.K. to do so for him (see *Grainger & Son v. Gough* [1896] A.C. 325).

Whether or not a non-resident is exercising a trade in the U.K. depends on the facts, one of the most important of which is where the contracts for the sale of the goods (or the rendering of the services) are made (*MacLaine & Co. v. Eccott* [1926] A.C. 424). In general, if the contracts are made in the U.K., then the trade is regarded as carried on in the U.K. (*Rowson v. Stephen* and *v. C.I.R.*, 1929, 14 T.C. 543). If the contracts are made outside the U.K., it may still be that trade is carried on in the U.K. (*Muller & Co. v. Letham*, 1927, 13 T.C. 126)—for example, where a representative is appointed in the U.K. who obtains orders and causes the goods to come here to the customers (cf. *Pommery and Greno v. Apthorpe*, 1886, 2 T.C. 182). Where, however, all the agent does is to transmit orders which the principal decides whether or not to accept, and delivery takes place abroad, there is no trading in the U.K. (*Grainger v. Gough, supra*). But if the acceptance

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of the offer is communicated through the agent, the contract is made in the U.K. Mere purchase of goods in the U.K. for sale abroad is not trading in the U.K. (*Sulley v. A.G.* 1860, 2 T.C. 149).

In *Firestone Tyre & Rubber Co. v. Lewellin*, 1956, T.R. 17, an American company was held to be trading in the U.K. through an agent; the agent was its English subsidiary company manufacturing and selling tyres in the U.K. The American company had an agreement with certain foreign distributors giving them the sole right to sell in their areas the products of the company. Orders sent to the subsidiary by distributors in the European market were fulfilled by the subsidiary as and when so requested; the subsidiary collected the price, retained the cost and five per cent. to cover freights, and remitted the balance to America. It was held that the contracts for sale were made in the U.K. and therefore the American company was exercising a trade in the U.K. through an agent which was properly assessed as such.

A non-resident person can be assessed on his profits through an agent (Section 370, Income Tax Act, 1952) and if the profits are not readily ascertainable they can be assessed as a percentage of turnover (Section 371). A foreign manufacturer may have excluded from assessment the manufacturing profit as distinct from the merchanting profit (Section 372). A broker or general commission agent cannot be charged for a foreign principal if all the transactions are in the ordinary course of the former's business (Section 373).

Simplified Tax Deduction Cards

Section 157(3), Income Tax Act, 1952, provides that the tax tables to be used for the collection of tax from emoluments assessable under Schedule E are to be constructed with a view to securing that the total tax payable for any year is deducted from the emoluments paid during that year.

If there are few employees and each is paid a fixed weekly wage, unnecessary work is caused if the full tax tables with their two parts showing free pay and tax due are used.

The Inland Revenue will issue in such circumstances a simplified weekly or monthly tax table and for each employee a simplified tax deduction card. On the latter card, the Inspector enters the employee's code number and the free pay for the week, which is a fixed amount until the code number is altered. Weekly the gross pay is entered on the tax deduction card. From the amount entered, the free pay is deducted to give the taxable pay for the week. The employer refers to the weekly tax table to find the tax deduction appropriate to the amount of taxable pay and enters the amount of the deduction on the card. Space is provided to aggregate all deductions for a quarter, remittances being made to the Collector quarterly.

The weekly simplified tax tables provide for deductions where the taxable pay is not less than 1s. and not more than £6. The tax deductible on one shilling is one penny!

Where the employee's code number is changed, the Inspector will forward a new tax deduction card to the employer. The latter must add up the tax deductions shown on the old card and send to the Collector of Taxes the card together with a cheque for an amount equal to the deductions. If the employee leaves, the date of leaving and the name and address of the new employer, if known, must be entered on the tax deduction card, which, together with any tax not previously remitted, must be sent to the Collector. Where a new employee is engaged, any code card or P.45 form which he hands to the employer must be sent to the Inspector together with a letter stating the name of the employee, the nature of his or her employment, the name and address of the previous employer (if any), the date engaged, the rates of wages or salary and whether paid weekly or monthly. The Inspector will send a simplified tax card if applicable.

Furnished Lettings

It is now understood that in the computation of profits from furnished lettings, where the apportionment under the decision in *Shop Investments v. Sweet* (1940) 23 T.C. 38 is not made the gross annual value

can be deducted if there is no claim for expenditure on repairs, provided this course is consistently followed.

Double Taxation Relief—Combined Section 201 and Tax Credit Relief

We draw attention to a letter from a reader, published on page 304 of this issue, notifying that the Board of Inland Revenue now accepts a new and more favourable method of computation on a combination of tax credit relief and relief under Section 201 of the Income Tax Act, 1952.

Tax Manuals

The Budget edition (the 45th) of the "Taxation" *Key to Income Tax*, edited by Percy F. Hughes and published by the Taxation Publishing Co. Ltd., London (price 10s. net, 10s. 6d. post free) appeared last month, with the usual promptitude of this publication. It contains the provisions of the Budget and remains an invaluable ready-reference book for the accountant.

Release 46 of *Current Law Income Tax Acts Service* is dated May 5, 1958. It contains a reprint of the Finance Bill, with the usual annotations. Release 47, dated May 19, 1958, is concerned principally with further digests of income tax and surtax cases. It also includes a further double taxation Order dealing with Swedish dividends; the Overseas Trade Corporation regulations; and the extra-statutory concessions in operation at December 31, 1956.

Bad and Doubtful Debts

Except where profits are computed on a cash basis (which is rare today except in certain professions, such as the Bar) trade debts have to be included in computing profits. The only deduction permissible is for bad debts and doubtful debts so far as they are properly estimated as bad (Section 137 (i), Income Tax Act, 1952). The amount deductible is therefore a matter of fact.

To be allowable as a bad debt, the debt must be a trade debt in respect of a sale or service the price of which has been credited to the profit and loss account. It is not permissible to

charge as an expense an irrecoverable debt not incurred wholly and exclusively for the purposes of the trade. For example, the following have been held not to be admissible deductions from profits:

(a) A loss arising through a controlling director passing private payments through the books of the company (*Curtis v. Oldfield*, 1925, 9 T.C. 319). Defalcations by subordinate employees are deductible so far as not recovered by insurance.

(b) A large amount drawn by a managing director in advance of commission on profits where a loss arose and no commission became due (*Roebank Printing Co. v. C.I.R.* 1928, 13 T.C. 864).

Losses on loans by brewers to their customers on the security of tied houses were allowed in *Reid's Brewery Co. v. Male* (1891, 3 T.C. 279). Such an advance is in the course of trading.

Where a debt has been allowed as doubtful and subsequently the debtor's position improves, the ac-

counts cannot be reopened nor can an additional assessment be sustained to revise the computation (*Anderton & Halstead v. Birrell*, 1931, 16 T.C. 200). The granting of further credit to the same debtor is no proof that the earlier debt is no longer bad or doubtful. An estimate of a doubtful debt is not a prophecy but a valuation on the facts and probabilities as known at the time. If a debt allowed as bad or doubtful is subsequently recovered, in whole or in part, the amount recovered must be brought into credit when received (*Bristow v. William Dickinson & Co.*, 1945-46, 27 T.C. 157). The release of a debt by a creditor does not constitute a trading receipt of the debtor, however (*British Mexican Petroleum Co. v. Jackson*, 1932, 16 T.C. 570). Unclaimed balances standing to the credit of customers are not assessable if brought to the credit of profit and loss account (*Morley v. Tattersall*, 1938, 22 T.C. 51) unless the debt is extinguished (*C.I.R. v. Jay's the Jewellers*, 1947, 29 T.C. 274).

There is also the position that arises where a person buys a business and in order to preserve the goodwill and to ensure continuity of supplies of material, etc., has to pay the liabilities of the business which the vendor was liable to pay. Such payments are deductible in arriving at the purchaser's profits (*Cooke v. Quick Shoe Repair Service*, 1949, 30 T.C. 460). Moreover, a reserve cannot be made for a possible future loss (however probable it may be) or for a contingent liability that has not accrued due at the accounting date (*Lock v. Jones*, 1941, 23 T.C. 749; *C.I.R. v. Albion Rovers Football Club*, 1952, 33 T.C. 331; *Owen v. Southern Railway of Peru* [1956] 2 All E.R. 728 [H.L.]).

A surplus arising on the collection of book debts taken over by the purchaser of a business is a capital receipt, even if it arises merely on a change in partners assessed on a discontinued and new business basis (*Crompton v. Reynolds & Gibson* [1952] 1 A.E.R. 888).

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Office or employment—Director of companies — Expense allowances — Travelling on business—Car expenses—Entertainment of customers—Whether whole expenditure expended wholly, exclusively and necessarily in the performance of duties—Income Tax Act, 1952, Sections 52 (6), 160, Ninth Schedule, paragraph 7.

When in 1948 the scandal of the "expenses racket" had become so notorious that Parliament was prepared to agree to the elaborate code of provisions contained in Part IV of the Finance Act, 1948—now contained in Chapter II of Part VI of the Income Tax Act, 1952—the Revenue authorities

could have had no illusions about the difficulties they would encounter in applying the new rules effectively. In *McLeish v. C.I.R.* (Court of Session, January 8, 1958, T.R. 1), although the decision of the General Commissioners in favour of the Crown was unanimously affirmed in the Court of Session, it would nevertheless seem to be questionable whether in the light of observations made in the course of the judgments the victory may not prove to be Pyrrhic.

The appellant was a director of three companies—the judgments do not disclose what interests if any the appellant had in them—engaged in the purchase and sale of potatoes on a large scale in Scotland and England; and he appealed against assessments for the six years

1948/49 to 1953/54 inclusive, those for the first three years being additional assessments and for the last three first assessments, all made in respect of expenses allowances assessable as "perquisites" by virtue of Section 160 of the Income Tax Act, 1952.

From the judgments in the case it appears that in the course of his duties the appellant travelled widely in Scotland and England, visiting markets, agricultural shows and farms in order to meet customers and potential customers. Company A provided him with a Jaguar car for his exclusive use, and the whole of the cost of providing it, its running costs and cost of maintenance had been paid by that company and charged in arriving at its trading profits. Every year he made a three weeks' tour of Lincolnshire and other potato-growing areas, and on occasions his wife accompanied him. In addition, he entertained at his home and elsewhere the directors of the three companies and customers. Occasionally, directors and customers from a distance stayed the

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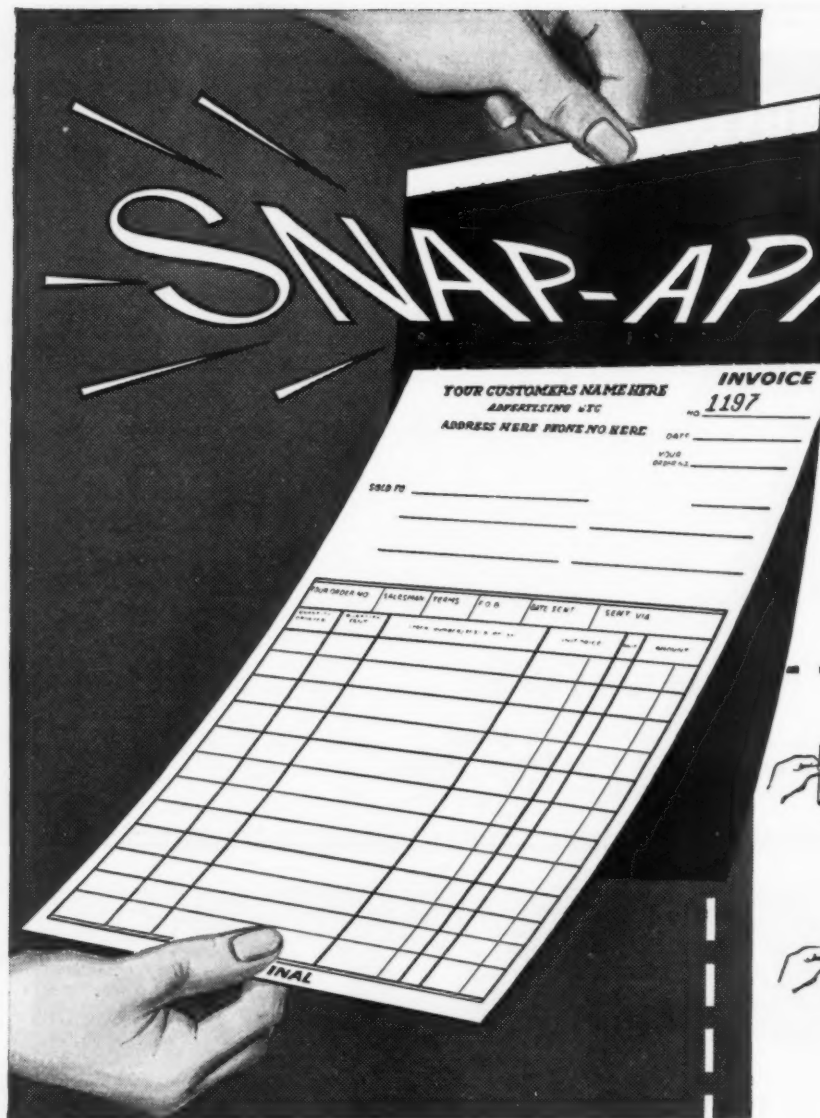
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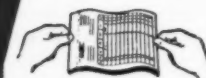
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night and, again occasionally, were accompanied by their wives. Every year the appellant attended the Agricultural Show at Smithfield at an approximate cost of £80 per visit. The payments from company A took two forms, reimbursements recorded in a book kept by the company's cashier and also a lump-sum payment, initially £100 and later £150. From company B he received a lump-sum payment of £100. (Company C is not recorded as paying him anything.) In all, the amounts received by the appellant from company A in the five years ending June 30, 1954, as "travelling expenses" ranged from £410 to £619. The appellant claimed that the whole of the sums in question represented, in the words of paragraph 7 of the Ninth Schedule to the 1952 Act, money spent "wholly, exclusively and necessarily in the performance of the said duties." The General Commissioners had found (1) that the evidence was insufficient to justify the claim to deduct the whole of the sums paid to the appellant and (2) that the appellant's evidence as to the quality of the expenses incurred was inconclusive. In other words, as the Lord President (Lord Clyde) observed, the appellant had not discharged the onus which rested on him and, on a strict view, "this might have entitled the General Commissioners to have left the assessments standing." They had, however, accepted as generous the suggestion of the Inspector that they should allow certain deductions "recognising that part at least of the reimbursements could qualify as a deduction." Lord Clyde held that the General Commissioners, in the circumstances, were entitled to accept the only estimate of a reasonable apportionment which was before them.

The appellant, said Lord Clyde, was quite naturally anxious to ascertain for the future which items of expenditure were allowable and which were not, and asked for the case to be remitted to the Commissioners in order that they might apply their minds specifically to the point. This, Lord Clyde held, would be quite improper, *R. A. Bird & Co. Ltd. v. C.I.R.* (1925, 12 T.C. 785). The failure to obtain any express finding as to the deductibility of any particular item was, he held, the fault neither of the Inland Revenue nor of the Commissioners but attributable to the insufficiency of the appellant's own evidence. Lord Carmont, whilst agreeing, said he had a great deal of sympathy with the appellant in his desire to know what had passed the Inland Revenue scrutiny and what had been rejected. It seemed to him

that had the Inspector been asked what was approved and what was rejected he would have informed the appellant. Lord Russell, after a detailed review of the facts, said that whilst it seemed reasonable and proper to accept that journeys had to be undertaken by the appellant in the course of his duties it did not follow that the full amount expended was necessarily incurred in the performance of the duties. He had, he said, failed to produce evidence establishing either that the whole expenses were so necessarily incurred or even that precise sums in that total expenditure were so necessarily incurred. It therefore seemed to him that the decision of the Commissioners "on the basis of a generous scaling down of the whole sums claimed" could not reasonably be interfered with. Both he and Lord Clyde agreed that the issue was a pure question of fact.

Readers of Byron's *Don Juan* may remember what he says of "Dudu," a harem beauty:

Thinner she might have been and yet scarce lose

Yet after all, 'twould puzzle to say where
It would not spoil some separate charm to pare.

Commissioners, called upon to judge "Dudu" in a beauty contest, might have no difficulty in holding that the lady was, say, two stones overweight. If, however, they were required to "pare each separate charm" to justify their conclusion, they would be faced with a "pretty kettle of fish." What the Court, other than Lord Russell, evidently thought should be done in cases like the one under consideration would undoubtedly impair seriously the effectiveness of machinery intended to prevent the "cost of living" being reduced through the medium of expense accounts.

Surtax

Undistributed income of investment company controlled by not more than five persons—Direction that income of company be deemed income of its members—Redeemable Preference shares—Fund for redemption—Compulsory credits to fund out of profits—Apportionment of income of company—Whether interest of Ordinary shareholders extends to sums credited to redemption fund—Finance Act, 1922, Section 21, Schedule 1, paragraphs 8, 10.

In re Wigram Family Settled Estates Ltd. v. C.I.R. (House of Lords, January 23, 1958, T.R. 33) was the subject of extended notes in our issues of February and June, 1957 (pages 72 and 269). The

appellant company was an investment company within the ambit of Section 21 of the Finance Act, 1922, and by virtue of Section 14 of the Finance Act, 1939, the whole of its income from all sources for every year of assessment fell to be regarded as the income of its members regardless of how much or how little was distributed. By paragraph 8 of the First Schedule to the Finance Act, 1922, the apportionment of the actual income of the company to the members "shall be made by the Special Commissioners in accordance with the respective interests of the members."

The appellant company had issued 100,000 6 per cent. Redeemable Preference shares of £1 each, the whole of which had been taken up by the Equity and Law Life Assurance Society Ltd.; and it was assumed in the case that the society had insisted upon the redemption terms as a condition of taking up the shares. The shares had to be redeemed, on the expiration of ten years from March 31, 1935, out of the profits of the company otherwise available for dividend or out of a fresh issue made for the purpose of such redemption. Out of its profits the company had to carry to the credit of a separate redemption fund specified sums for each year until the fund amounted to £100,000; and by March 31, 1949, the fund so created amounted to £77,000. The years of assessment involved were 1949/50, 1950/51 and 1951/52, and in these years there had been further transfers of £4,000, £10,000 and £4,000 respectively. On August 30, 1950, 80,000 of the shares had been redeemed by applying £80,000 from the fund, thus leaving 20,000 shares in the hand of the society.

Surtax being a tax on individuals, if for the relevant years any part of the actual income of the company beyond the 6 per cent. were apportioned to the society that part would escape surtax altogether. The Special Commissioners in their assessing capacity had apportioned to the Redeemable Preference shareholders only the 6 per cent. on the outstanding shares. The rest of the actual income of the company they had apportioned to the Ordinary shareholders. On appeal against the apportionments, it was argued for the company that the society had an interest within paragraph 8 in the amounts credited to the redemption fund additional to the 6 per cent. The Special Commissioners, however, had rejected this contention, holding that the interest of the society in the actual income of the company was adequately measured by the 6 per cent. The guarantee on which

the society had insisted as a condition of subscribing for the shares was, they had held, no more than security for repayment of capital. They had held further that, after taking into account the voting rights and the rights of the Ordinary shareholders on a winding up, they had been unable to find a fairer method of apportionment. Vaisey, J., had upheld their decision and a unanimous Court of Appeal had agreed, but considered the case to be, in the opinion of the Master of the Rolls, "something of a hard case" and in the opinion of Romer, L.J., "a very hard case."

In the House of Lords the decisions of the lower Courts were unanimously affirmed, Viscount Simonds and Lord Reid making the only speeches and Lords Keith, Somervell and Denning agreeing or concurring. Viscount Simonds said that it was plain that at all times the net assets of the company were ample to meet its obligations in respect of the Redeemable Preference shares. Referring to the object aimed at by Section 21 of the Finance Act, 1922, he said he should expect any apportionment of the actual income of a company to be upon the footing that had distribution been made the amount received by any member would have the character of income in his hands, liable to surtax if he were an individual. He added:

It would be a fantastic result of this legislation if it increased even notionally the income of a 6 per cent Preference shareholder. But, if . . . the apportionment beyond his 6 per cent is to be regarded as a capital payment, then the purpose of the Sections is defeated. Surtax is neither payable nor avoided.

The strength of the case for the company lay in its being precluded by its articles from distributing the whole of its income; but his Lordship pointed out that the question was not one of hardship, but what were the respective interests of the shareholders. In view of the fact that, throughout, the capital of the Redeemable Preference shares was well secured, apart from the redemption fund, the Special Commissioners were, he held, right in regarding the fund as security for the eventual repayment of capital and, additionally, in regarding the interest of the society in it as negligible. His Lordship said that he did not intend to lay down any general rule in view of the very general words by which the duty of apportionment was cast on the Special Commissioners. He understood Counsel for the company admitted that, if the same fund had been built up voluntarily and not under compulsion the society could not be

said to have any relevant interest in it for the purposes of apportionment. Nevertheless, on the facts of the case, the material interest of the society would be the same in both circumstances. Referring to *C.I.R. v. F.P.H. Finance Trust Ltd. (No. 2)* (1946, A.C. 38: 27 A.T.C. 7; 28 T.C. 209), Viscount Simonds said he agreed with Vaisey, J., and the Master of the Rolls that that case gave no support to the contention of the company. The duty of the Special Commissioners, as laid down by Lord Russell of Killowen, was to apportion to "the persons really interested in the income in question and in what proportions" and this, it seemed to him, the Special Commissioners set out to do and fairly did.

Lord Reid in a short speech said that the society was concerned not merely to receive annually the 6 per cent. on its shares but to see that the redemption fund was built up out of profits; and he assumed, without deciding the point, that this could be regarded as an "interest" within the Finance Act, 1922. He held, however, that it would be erroneous to hold that such an interest necessarily required an apportionment to the society of the whole of the sums carried to the fund. The other shareholders were also interested and in the present case the interest of the society was negligible as compared with theirs. Retaining the sums carried to the fund postponed enjoyment of them by the other shareholders, but in no substantial way added to the financial returns to the society or to the probability of payment in full. Whilst Viscount Simonds had not considered whether the findings of hardship by the Court of Appeal were justified, Lord Reid said he saw no special hardship in the case. An individual setting aside part of his income to provide for repayment of capital could not thereby diminish his liability for surtax, and he saw no reason why a company by so doing should be better off. Reference to the present writer's note of the case in the Court of Appeal will show that he not only shared Lord Reid's view but pointed out other objections to the claim.

Surtax

Settlement—Annuity to widow of testator during life—Death of settlor—Under will life interest in residuary estate to widow—Whole annuity charged by trustee against income of residue with no apportionment by trustee between capital and income—Underpayments of income to widow satisfied by transfer of parts of

capital assets of residuary estate—Non-payment of annuity in later years but whole income of residue paid to widow—Method of computing total income—Finance Act, 1938, Section 30.

Carlish v. C.I.R. (Ch. February 25, 1958, T.R. 69) was the continuance of Mrs. Carlish's war against the Revenue noted in our issues of August, 1957 (page 355), and December, 1957 (page 533). It was the final stage, unless the Appeals Committee of the House of Lords gives her the permission which was refused by the Court of Appeal. The Court of Appeal, affirming unanimously the decisions of the Special Commissioners and of Harman, J., held that whilst one of the findings by the Special Commissioners could not be sustained, Mrs. Carlish, because of the provisions of Section 30 of the Finance Act, 1938, was not benefited by the overruling of that finding. The case is not one where an extended note would seem to be called for.

Estate Duty

Will—Gift of part of income of residue for life to executor and trustee—Whether gift to holder of an office—Death of beneficiary—Whether share of capital of residue corresponding to share of income liable to estate duty on death—Or whether liability excluded on ground that the interest of deceased was "only an interest as holder of an office"—Finance Act, 1894, Sections 1 and 2 (1) (b).

Whilst a Supreme Court may have to be regarded as infallible, its members as individuals necessarily suffer from human fallibility. The late Lord Buckmaster once pointed out in private conversation that the author of an interpretation of a statutory provision, which as the result of a House of Lords decision had become thenceforward part of the law, was powerless to limit its meaning or application; and that this was embarrassing at times, especially when a mistake had been made. Still, although the House of Lords may be bound by its own decisions, it is not entirely impotent in such circumstances, although the lower Courts are. The deciding factor in *The Public Trustee (Lord Northcliffe's Trustee) v. C.I.R.* (Ch. February 13, 1958, T.R. 49) was the factual discrediting in *Sanderson v. C.I.R.* (1956, A.C. 491; 34 A.T.C. 316)—noted in our issue of April, 1956 (pages 145-6) under the heading "In re Hall"—of opinions given by Lord Macnaghten in *Earl Cowley v. C.I.R.* (1898, A.C. 198) and by Lord Haldane in *Attorney-General v. Milne* (1914,



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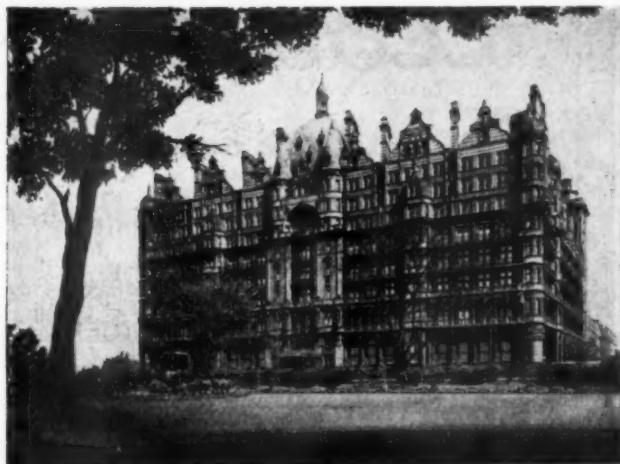
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A.C. 765), which had been regarded as settling the relationship between Sections 1 and 2 of the Finance Act, 1894. The charge to estate duty is imposed by Section 1 and provides that:

... there shall be levied and paid, upon the principal value as hereinafter provided of all property, real and personal, settled or not settled which passes on the death ...

whilst Section 2 provides that:

(1) Property passing on the death ... shall be deemed to include ...

(a) ...

(b) property in which the deceased or any other person had an interest, ceasing on the death ... to the extent to which a benefit accrues or arises by the cesser of such interest but exclusive of property the interest in which of the deceased or any other person was only an interest as holder of an office or ...

(c) ...

(d) ...

Sub-Sections (2) and (3) of Section 2 are limiting provisions regarded as of general application, the former excluding from liability property outside the United Kingdom unless legacy or succession duty would have been payable before the passing of the Act, whilst the latter excludes generally property held by the deceased as trustee other than that caught by the provisions as to gifts.

By clause 6 of the will of the late Lord Northcliffe, who died in 1922, three per cent. of the income of the residuary trust fund of the estate was to be paid to Henry Preuss Arnholz "during his life so long as he shall act as executor and trustee ... by way of remuneration for so doing," in addition to any professional charges as solicitor he was entitled to make under clause 23. Similarly, in addition to a specific legacy, seven per cent. of the said income was to be paid to Sir George Sutton so long as he should act as executor and trustee, by way of remuneration for so doing. Sir George Sutton had died in 1947, but a claim to estate duty on the shares of the capital of the estate in respect of which he was receiving the income at the time of his death was not made. Under the will, both Mr. Arnholz, who had died in 1955, and Sir George Sutton and other trustees for the time being were given the fullest freedom of action and the widest and most uncontrolled discretion in all matters relating to the administration of the estate and the carrying out of the will. Although no claim had been made in respect of the interest in the estate of Sir George Sutton, the Revenue now claimed that there was liability under Section 1 in respect of the interest which passed on

the death of Mr. Arnholz and, as Danckwerts, J., pointed out, the claim was substantial, duty at 55 per cent. amounting to some £80,000 and, if established, the deceased's own free estate of £25,000 would be chargeable at the same rate. The claim was resisted by the Public Trustee on the ground that Mr. Arnholz's interest was in the words of Section 2 (1) (b)—see above—"only an interest as holder of an office."

Turning back to the opinion of Lord Macnaghten in the *Earl Cowley* case, he had there declared *inter verbos*:

Now if the case falls within Section 1 it cannot also come within Section 2. The two Sections are mutually exclusive. ... In my opinion, the two Sections are quite distinct and Section 2 throws no light on Section 1 ...

Lord Haldane in the *Milne* case had spoken to much the same effect, and this view of the relationship between the two Sections had been followed thenceforward, but not without considerable judicial discussion, until, in the *Sanderson* case, Lord Radcliffe rejected the plain meaning of the words used by Lord Macnaghten in *Cowley* and by Lord Haldane in *Milne*. In other words, he held that such meaning was so clearly wrong that it could not possibly have been intended. Still, he did pay his tribute to the doctrine of infallibility:

I do not see that our decision can be said in any way to conflict with those earlier cases. The most that can be said is that it will leave unexplained what exactly Lord Macnaghten meant in *Earl Cowley* ... or what Lord Haldane meant in *Milne* ... I think that we may safely resign these passages to the list of the many minor mysteries of the law.

Lord Radcliffe had held that the effect of Section 2 (1) was that "passes" in Section 1 had a meaning wider and less natural than it would have had otherwise and that this was a more satisfactory method of approach than dividing the charge into categories of property actually passing and property notionally passing—"categories which the Act itself did not employ."

Danckwerts, J., said he understood it not to be contested that the shares of the estate of which Mr. Arnholz received the income "passed" on his death within Section 1. Summing up the position, he said it appeared that if Section 1 applied it was unnecessary to refer to the including or extending provisions of Section 2 although Section 2 (2) and 2 (3) did affect cases within Section 1. On whether the excluding provision in Section 2 (1) (b) set out above was capable of application to property passing within the unextended

or natural meaning of Section 1, he held that the second part of the paragraph commencing "but exclusive of" referred only to the first part and was not, he held, a general provision excluding from liability cases within Section 1 but one excluding certain things from the extended and artificial provisions of Section 2 (1) to which they would otherwise be applicable. He held, therefore, that the excluding words in Section 2 (1) (b) did not apply in the case.

He dealt, however, although in the circumstances *obiter*, with an argument by the Revenue that the interest of Mr. Arnholz was not "only an interest as holder of an office" on the ground that, as the remuneration was not given to all the trustees from time to time and in view of the testator's reference to the personal qualities of Sir George Sutton and Mr. Arnholz, the benefits received were of a personal and beneficial nature and not annexed to their offices as trustees. His Lordship held the argument to be quite untenable. The shares, he said, were only given to them so long as they acted as executor and trustee and were by way of remuneration for so doing. He cited in support of his views on this issue the decision of the House of Lords in *Dale v. C.I.R.* (1954, A.C. 11; 32 A.T.C. 294; 34 T.C. 468) that the remuneration of a trustee was "earned income." The case is one more example of the iniquitous results which so often arise from the application of the aggregation principle.

Estate Duty

Gift inter vivos—Policy of life assurance—Policy charged to bank to secure overdraft—No overdraft at relevant time—Intention to give policy or proceeds of policy to donee—Policy payable at death or maturity—Whether policy assigned prior to maturity—Proceeds paid to donee on maturity—Whether gift completed within five years of donor's death

There are many cases where although the decisions may commend themselves in law the sympathy of the reader will be with unlucky taxpayers. Such a case was *Dalton (Smith's Administratrix) v. C.I.R.* (Chancery, February 6, 1958, T.R. 45) where the issue was clearly only one of fact, but owing to the circumstances it was impossible to determine with certainty what the essential facts were and, as a result, the matter became one of striking the balance of probabilities. On January 1, 1932, a son had been born to the deceased, one Robert

Oswald Smith, who had died upon February 3, 1952. On September 30, 1932, the deceased had taken out an endowment policy on his own life, with profits, in the sum of £5,000, payable on September 29, 1947, or on his earlier death. On March 27, 1942, the deceased had mortgaged the policy to the Midland Bank in the usual form in order to secure his overdraft; but at the time when the policy matured there was no overdraft, and the deceased could have required reassignment had he so wished.

The son above-mentioned was a backward child and in 1936 the deceased had asked his sister, Miss G. S. R. Smith, if she would take the boy, give him a home, see that he had proper medical attention, and train him. This she had agreed to do and although a very old lady at the time of the case was still "undertaking that work with devotion." The deceased made her weekly allowances, but Upjohn, J., said, it was quite plain that they did not cover the expenses to which she was put. An arrangement was accordingly made between deceased and his sister in 1946, the latter, in an affidavit, declaring:

In or about the month of November, 1946, the deceased called at my house . . . and told me in definite terms he was giving me the policy money. I do not remember the exact words of all the conversation, but I do remember clearly what the words conveyed to me, namely, the money was mine absolutely, it belonged to me, he gave it to me; he had no further rights as regards the policy. . . . He said further that he was arranging for the money to be paid to me to my account at Midland Bank Ltd., Eastwood. . . .

It appears that on January 16, 1947, the deceased had communicated with the bank and spoke to the second officer of the Eastwood branch, a man named Tetsall, who had made a written memorandum:

16.1.47. R. O. Smith is sending us authority for the proceeds to go to Miss G. S. R. Smith's account.

The last premium on the policy had been paid on December 29, 1946, and the £5,000 assured with profits was payable on September 29, 1947, or on the deceased's earlier death. The bank records showed no trace of the receipt of any authority; but, unfortunately, in accordance with practice the documents had been destroyed although the case was argued upon the footing that some written authority was given because, without one, the bank would not have done what it did and its normal practice would be to attach the authority to the voucher authorising the credit to the sister's account. Owing to the destruc-

tion of documents, the date of sending and the exact terms of the authority were unknown. Unfortunately, Mr. Tetsall had died in June, 1953.

On September 29, 1947, the policy matured; the bank as assignee gave a discharge; and on or about October 3, 1947, the bank received £5,950 which did not pass through the deceased's account but was paid directly to Miss Smith's No. 2 account, one used by her in relationship to the deceased's son. To establish that the gift by the deceased escaped the five years' rule, it had to be shown to be a completed gift before February 3, 1947—that is, that before that date Miss Smith had become the owner of the equitable interest in the policy.

Upjohn, J., said that there were a number of ways in which the deceased could have transferred his equitable interest to Miss Smith, and one of the three mentioned by him was that he could have directed the bank to hold the policy and the policy moneys to the order of Miss Smith. The question in the case was as to the proper inference to be drawn from Mr. Tetsall's brief note of January 16, 1947. As to this, the Judge said he could not draw the inference that the deceased had then orally directed the bank so as to make the transfer, the words of the note being, he held, quite inconsistent with the giving there and then of binding instructions. Secondly, "one knew" that the bank would not have accepted oral instructions. Whilst it was in a sense a bare trustee it was more than a nominee, the relation being that of banker and customer, and it was still open to the deceased to draw an overdraft-creating cheque. After considering the possibilities regarding the contents of the letter which was assumed to have been sent to the bank following deceased's call on January 16, 1947, Upjohn J., held that the proper inference was that "the deceased intended any letter that he wrote to be no more than an authority between banker and customer which could have been revoked had he so desired." It was unlikely, in his judgment, that deceased intended then and there to give Miss Smith an irrevocable equitable interest in the policy itself. He, therefore, held that the property did not pass until she received the proceeds on October 3, 1947.

It will be seen that the decision was more a matter of applied psychology than law; and it may be suggested that there was a fairly good case to be made for the administratrix. The call of the deceased on Miss Smith was

"in or about the month of November, 1946;" the last premium had been paid on December 29, 1946; the deceased had called at the bank on January 16, 1947; and the payment of the policy proceeds was not due until September 29, eight-and-a-half months later. In the circumstances of the case, it is suggested that it would be most unlikely that the deceased would have given Miss Smith a policy not fully paid-up. One fully paid-up would be a very different matter. It is further suggested that when deceased called at the bank in January, 1947, he would be much more impressed with the fact of the policy being fully paid-up than with the prospect of payment in September. As regards Mr. Tetsall's note of January 16, 1947, bank officials save in special sections of a bank are not usually experts in the law of trusts and Mr. Tetsall, it is suggested, would probably regard what might have amounted to a valid oral declaration of trust as being ineffective unless confirmed by a written authority. In a case of such uncertainty, "splitting the difference" would appear to have been a more satisfactory solution, if practicable.

Tax Cases— Advance Notes

COURT OF APPEAL (Lords Evershed, M.R., Morris and Ormerod, L.J.J.).
Gray and Randolph v. C.I.R. May 15, 1958.

Their Lordships (Lord Evershed, M.R., dissenting) reversed the decision of Upjohn, J. (see *ACCOUNTANCY* for April, 1958, page 193) and decided in favour of the Crown. Leave to appeal to the House of Lords was granted.

Oughtred v. C.I.R. May 15, 1958.

Their Lordships unanimously reversed the decision of Upjohn, J. (see *ACCOUNTANCY* for April, 1958, page 194) and decided in favour of the Crown. Leave to appeal to the House of Lords was granted.

Income Taxes Outside the Commonwealth

The second supplement to this loose-leaf publication has been issued by H.M. Stationery Office at 15s. net. It includes a list of amendments that are to be made in manuscript on pages already published, loose-leaves containing revised and additional pages, and the second instalment of Part III, including notes on the Netherlands and the Federal Republic of Germany.

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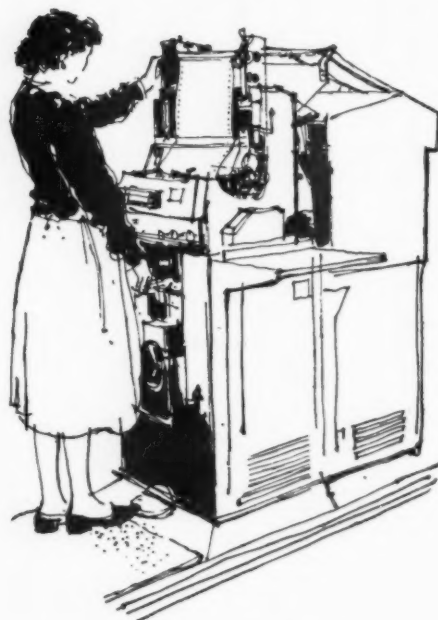
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The Month in the City

Equities Go Ahead

Whatever the changes in fortune at various stages during the month, the overriding feature of the whole period was a marked change in the direction of investment. For many weeks before the Funds had been rising relatively more than industrial equities, but during May the two trends were reversed. The reversal persisted despite the reduction in Bank Rate from 6 per cent. to 5½ per cent. on May 22, since the recovery in the Funds was relatively slight on that event. Nonetheless, the month started fairly well for fixed interest securities. Any ill effects of the failure of the New Zealand loan, which opened at a discount and took a fortnight or so to establish a recognisable premium, were wiped out by the unexpectedly large success of the conversion offer. Of a total of £676 million of maturing stock outstanding, omitting the small amount of the Post Office issue, acceptances were received in respect of all but £26 million, leaving only that amount to be repaid in cash. It was fairly evident from the start that the 4½ per cent. five-year bond offered would attract large applications, but there was some surprise that the total was as high as £352 million. More unexpected was a total application of £298 million for the 5½ per cent. sixteen-year stock. A substantial part of this total probably came from "inside," but even so the result is that the authorities will have a supply of a medium-dated stock to offer when the demand for the Funds revives on a large scale. It is understood that sales by the Departments have been appreciable, but it was only to be expected that the large institutions would take long-dated stocks as soon as they saw that rates were likely to fall, and some falling off in the demand does not necessarily represent any change in view.

The Near Future of the Markets

The first major issue of the month was the offer by Gallaher of £10 million 6 per cent. unsecured loan stock 1983-85 at 96. This issue was necessitated by the growth in the business of the group and the consequent rise in the amount of money locked up in stock, much of it representing duty. The terms seemed attractive and in the result applications amounted to some £25 million, despite fears of a rail strike, and

the stock established a moderate premium which has been maintained. There seems to be no doubt that a fairly keen demand exists for stock with coupon rates as high as 6 or 5½ per cent., especially now that the Bank Rate has fallen again. It is, perhaps, in this field that one may look for the best improvement in fixed interest stocks in the immediate future. The recent history of British industrial Ordinary shares and their prospects is very complex. Last month produced a large number of company results, many of which were better than had been expected. Others, however, were certainly not good, and the most recent statement of policy about Government demands on and assistance to the aircraft industry, both makers of airframes and the engine builders, has been very discouraging. There have, however, been a large number of other factors. Of the foreign ones, the rather more optimistic tone of some comments from the United States about the course of the recession is important. Troubles in the Middle East and between France and North Africa have not had great effects so far, except possibly for oil shares. At home the Government has rejected the idea of a full re-rating of industry, which is a minor bull point, and there has been a good deal of talk of re-expansion in the near future. The one item of solid evidence in favour of such a development is the settlement of the railway wages dispute on lines which, for all the wrapping up they have received, seem all too familiar.

Rise in Gold Shares

Gold shares and gold reserves, of other countries more than of the United Kingdom, have once again attracted considerable attention, and the rise of some points that has just taken place in the gold share index seems to have a rather firmer foundation than some other rises of recent years. The improvement is associated, in part at least, with the development of two American groups interested in purchasing gold shares, with the efflux of gold from the United States and with a certain speculation against the American dollar. The last factor may be one of those accounting for the fact that, some doubts about our position notwithstanding, the spot quotation for ordinary sterling (and also for the transferable and security

varieties) was virtually maintained throughout the month, while, after a slight deterioration, there was on balance an improvement in the three months' forward rate. The argument now is that gold may be revalued in dollars and not that sterling will be devalued in terms of either by unilateral action. The reduction in Bank Rate does not seem to have had any adverse effect on the exchange rate but the demand for Treasury Bills fell off a trifle. The money market was, however, keen to obtain increased supplies and, despite a larger offer, the rate fell by over ¾ per cent. to under £4 16s. 6d. It is of course no secret that the authorities have had the reduction in mind for some time and it is held to be no more than in line with the general movement in world rates. The net effect of all the changes discussed in these notes is reflected by the following movements between April 30 and May 30 in the indices compiled by the *Financial Times*: Government securities from 83.43 to 83.23, fixed interest from 90.21 to 90.36, Ordinary shares from 167.1 to 168.8; and gold mines from 73.3 to 75.5.

The Stock Exchange Year

Although the London Stock Exchange failed in its objective of securing a surplus during the year to March 24 last, it did reduce the deficit on current account by some four-fifths, to £5,108. Revenue went up by £66,580, of which over one-third was because of higher receipts for quotation fees. The membership fell by 61 on the year, to 3,432. There is no change since the last statement on the subject of providing for the rebuilding of the Exchange, but two developments of importance are envisaged. First, some £175,000 is to be spent over the next three or four years on a number of improvements, of which the most interesting will include the building of a new floor over the West African market to provide increased facilities for members. When complete these changes should produce an annual revenue of about £8,000, a modest return on the outlay. The second development is that negotiations are proceeding to secure the freehold of the eastern part of the site, which is at present held on lease with 932 years still to run. The acquisition would relieve the Council of ground rents and is considered a very sound investment, while it would also be a useful step towards preparing for rebuilding. The subject of the restoration of option dealing is dealt with in a Professional Note on page 276.

Points From Published Accounts

The Accountant Awards—

As we announced last month, the awards by *The Accountant* for 1958 go to *Peninsular and Oriental Steam Navigation* among the "senior" contestants, and *John Dale* among the "junior." Both these companies have for long paid much attention to the presentation of their annual accounts, and the awards are richly deserved.

In general form the P. and O. accounts again this year follow the pattern of those of 1956—the winning accounts. Appended to the accounts there is an excellent summary of the various fleets in the group, providing shareholders with interesting background information about the growth of their business and about the spheres in which it principally trades. The directors' report is also fully informative. These features must have contributed largely, one would think, to the decision of the judges.

In recent years John Dale has built up a notable reputation for the brightness of the presentation of its annual accounts. "To have won what perhaps I may call this 'Oscar' of the company accounts world is something of which we are proud and will be a great encouragement to those members of the staff who are particularly responsible for this work," the chairman points out in his statement with the 1957 accounts. These accounts follow the general pattern of the prizewinning accounts for 1956 and are perfectly straightforward. Their effectiveness comes from the sensible employment of colour in the layout, and plenty of white around the figures. A useful description of the main activities of the business is appended, and the extensive notes section helps to round off a very workmanlike presentation.

—and the Harold Bellman

Building societies are also in the accounting news at this time of the year, when the recipients of the Harold Bellman award for accounts are announced. The first award to be made went to Bristol and West Building Society last year; already it is notable that the presentation of the accounts of

building societies is definitely looking up. The tradition of uninspiring drabness is now giving way to the effective use of colour and crests, and, even more significant, the publication of additional information and graphs to help towards a better understanding both of the functions of the movement and the fortunes of individual societies. The winning society this year, out of thirty which submitted entries, was *Hinckley and Country Building Society*, with *Northampton Town and County Building Society*—whose accounts make particularly effective use of the crest on the front page—the runner-up. There is clearly some way to go in the building society world before the Harold Bellman awards can be said to exercise as much influence as do those of *The Accountant* in industry and commerce generally. But one cannot escape the immediate signs of improvement which have attended the introduction of both awards, and it is now fairly safe to say that the major battle for brighter and more informative accounts is decisively won.

Explaining Balance Sheet Charges

Quite often, an otherwise excellent presentation of accounts is let down by inadequate supporting information, especially in the explanation and interpretation of movements in the figures in the balance sheet. The balance sheet, after all, shows the substance of a business. A sharp rise in stocks, for instance, could well be a danger signal, unless an alleviating explanation is forthcoming from the directors.

The report of the directors of *S. Smith and Sons (England)* stands out in this respect. As well as having their attention drawn to the various changes in the balance sheet, shareholders are also told the reasons for the changes. Speaking of the higher figures for debtors, the directors state: "the increase is due to the higher level of sales in the closing months of the year." And, again: "The bank overdraft is a continuation of short-term finance to the Australian company."

It is important to be told such things,

for even the experienced student of published accounts can often jump to wrong conclusions in the absence of some guiding words. Here is one of the most neglected aspects of account presentation at the moment; it would be good to see many more companies following the example of *S. Smith*, and not just remaining satisfied with a report that repeats, without interpretation, the changes in the balance sheet figures.

The accounts proper of *S. Smith* also call for a special word of praise. They are a model presentation—particularly in the summary of salient figures over the past three years which prefaces the accounts proper.

Where to Place Comparative Figures?

John Holroyd is a business that has always taken trouble with the presentation of its accounts, which have many good points. But some of the effect is lost because the figures in the balance sheets and profit and loss accounts are set in so small a type face and because the parent's figures and those of the group are set in adjacent columns, making for difficult reading. It is quite easy, looking across the page, to compare, for example, the 1956/57 trading profit of the group with the 1955/56 trading profit of the parent. If it is essential to superimpose one set of accounts on another, then it seems preferable for the comparative figures to lie immediately adjacent to those under consideration. When the eye is called upon to travel across a page it can easily confuse one figure with another—particularly when they are in small type.

Gross (Net)

The importance of making absolutely clear what one means by avoiding any possible ambiguity is paramount in financial matters. Fortunately of their nature accounts do not often lay themselves open to any ambiguity, and we mention the point only because the following entry in the directors' report accompanying the accounts of *K.G. (Holdings)* happened to catch our eye: "Proposed final dividend of 10 per cent. gross (Net) . . . £13,358." Anyone at all familiar with financial matters will without hesitation know exactly what is meant; but there may be others to whom the wording is a contradiction in terms. We intend no criticism of the accounts of *K.G. (Holdings)* but merely put the point forward in illustration of a general issue deserving some pondering by those in charge of the compilation of annual accounts.

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Surplus on Revaluation

The accounts of *Debenhams* are noteworthy for the method by which the surplus arising on the revaluation of the properties of the group has been dealt with in the balance sheet. Instead of applying the surplus to write up the value of reserves, as usually happens, the directors have utilised it to write down the value of goodwill. The net effect is to leave the total of assets in the balance sheet virtually unchanged, though, with the elimination of such a large slice of intangible assets, the overall position has clearly been strengthened. Goodwill, although a quantity difficult to measure in monetary terms, is nevertheless a most important asset to a business of this nature, so that the decision to write down the item in the balance sheet must be taken as significant.

It is also interesting to note the basis of valuation adopted: "this was that each property be regarded as available in the open market as at the date of valuation with the benefit of vacant possession, and that shop and arcade fronts, together with those items usually regarded as landlord's fixtures be considered as part of the building." All too often revaluations are carried out without the basis adopted being made plain in the report and accounts.

Clarity in Showing Taxation

Roneo prefers a plain black and white presentation of its accounts. There are several detailed points in them for comment. On the favourable side is the split-up of the taxation item in the profit and loss account, as below.

Taxation is frequently regarded a single item, but it is often overlooked that a business may still have the use, for quite a while before it finally becomes payable, of money earmarked for some of its taxation payments. The method adopted by *Roneo* in its profit and loss

account helps to make the position absolutely clear.

The profit and loss account of the parent is not put forward on a basis fully comparable with that of the group. Directors' fees and emoluments appear only in the parent account, which means that the trading profit is gross of them there. But they are not shown in the consolidated account, and one would thus be wrong to compare the group trading profit directly with that of the parent—as one well might do in order to see what proportion of the whole profit was contributed by the subsidiaries. There is no obligation these days to publish a separate profit and loss account for the parent, but it is useful to have it for the exercise mentioned and the logical thing is that it should be on the same basis as the group account.

One also wonders why the accounts continue to include items that have been written down to nothing. In the balance sheet loose tools, patents and trade marks, and furniture and fixtures are all included, after deducting amounts written off at "nil." Would it not be better in circumstances like these to record the facts in a footnote, rather than to adhere to the present system?

Economy of Informativeness

Leyland and Birmingham Rubber is a sizeable concern, with a group balance sheet aggregating £5.27 million, yet its accounts are printed simply on two folded sheets of white double foolscap paper and the balance sheets and profit and loss account are amplified by no additional information. The directors' report is in conventional form. The accounts call for little detailed comment, but the provision of a single figure in the profit and loss account for "estimated taxation on profits for the year," instead of the more usual sub-division into con-

stituent proportions of profits tax and income tax, illustrates the general economy of informativeness. There is an item in the appropriation section of the account, rather puzzling at first sight, a "transfer to capital reserve" of £3,342, which is revealed as the "proportion of profits applicable to purchase of additional shares in a subsidiary company." One is not told whether these profits are taken to capital reserve because they are pre-acquisition profits—again, some words of explanation might be helpful.

First Consolidated Accounts

For the first time *William Doxford*, the Sunderland shipbuilding and engineering concern, famous for its marine engines, has presented consolidated accounts. The opportunity has been taken to change the format from foolscap to quarto, and to add a stiff cover. Colour has also been brought into play in the printing of the comparative figures (now green) and the whole presentation bears very favourable comparison with what went before. There remains much room for supplementing the accounts with additional information of a background nature—particularly as there is no chairman's statement with the accounts—and we would hope that these further improvements are on the way.

Heavy Engineering Accounting

A change of accounting practice has been put into effect in the 1957 accounts of *Davy and United Engineering*. This is a business engaged in heavy engineering and until last year it followed the practice of many other such businesses which bring to account profits on long-period contracts only when final delivery has been fully made. Inevitably, such a method leads to quite marked fluctuations in the profits from year to year; in any one year a number of contracts may be completed, whereas in the next there may be few major contracts completed, although the business remains as active as ever. The change in the basis of accounting now adopted by *Davy and United* means that the group trading profit for the year ended March 31, 1957, included £207,388 that would not have been counted in under the old system. The new method of taking profits into account progressively is expected to iron out some of the year-to-year profit fluctuations recorded in the past, and it seems the more sensible practice in the circumstances.

Taxation**United Kingdom**

	£ Current	£ Future	£
Income Tax Schedule "A" and deductions from investment income	6,324		
Reserve for income tax to cover estimated liability based upon the accounts to June 30, 1957 ..		301,150	
Other United Kingdom taxation on profits ..	65,125		
Taxation other than United Kingdom		2,818	
	<hr/> 71,449	<hr/> 303,968	<hr/> 375,417

Letters to the Editor

National Savings

Sir,—May I, in my capacity as chairman of the City of London Savings Committee, be allowed to recommend in your columns the new 5 per cent. Defence Bonds, and draw attention to the extension to 1,000 units of the limit of the 10th issue of National Savings Certificates?

Many of your readers are in a position to advise clients regarding investments, and when so doing I hope they will not overlook the merits of these national savings securities, some details of which I append.

Defence Bonds—These are seven-year bonds bearing interest at 5 per cent. redeemable at 103. Taking the bonus of £3 tax-free into account, the gross rate of interest is equivalent to £5 13s. 6d. per cent. per annum; interest is payable in February and August; income tax is not deducted at source; the maximum holding is £2,000, exclusive of holdings of previous issues. The bonds are an attractive investment for those seeking a security with a fixed rate of interest.

These bonds can be held by (i) an individual (including a minor under seven) either in his own name or jointly with another person or persons; (ii) trustees; (iii) limited companies; (iv) charitable, friendly and provident societies, clubs and funds, and corporate bodies generally.

National Savings Certificates—The certificates are free of income tax. The limit of 600 units of the present—the 10th—issue has now been extended to 1,000 (£750) and may be held in addition to permitted holdings of earlier issues.

Each unit costs 15s. and becomes 20s. in seven years. The rate of interest over the seven years' period is equivalent to £4 3s. 11d. per cent. per annum free of income tax. For any person paying income tax at 8s. 6d. in the £, this is equal to £7 5s. 11d. per cent. per annum.

Enquiries may be sent to the office of the City of London Savings Committee at the address given below.

Yours faithfully,

E. WHITLEY-JONES

Chairman, City of London

Empire House Savings Committee

St. Martin's-le-Grand

London, E.C.1

(MO Narch 4754)

Double Taxation Relief—Combined Section 201 and Tax Credit Relief

Sir,—It may be of interest to your readers to know that the Board of Inland Revenue has recently adopted a new procedure for the treatment of income where both relief under Section 201 of the Income Tax Act, 1952, and tax credit relief are available.

The Board has now decided that the following procedure shall be adopted:

(a) In computing the claimant's effective rate of United Kingdom tax (paragraph 5, 16th Schedule), Section 201 relief is to be taken into account.

(b) The limit on the aggregate of credit and Section 201 relief (paragraphs 2 and 11, 16th Schedule) is to be income tax at the standard rate *plus* surtax at the average rate over total income (instead of tax at the effective rate).

(c) The addition for foreign tax to the income received by the claimant (paragraph 8 (3), 16th Schedule) is to be the amount relieved by credit and no more (instead of the amount relieved plus any amount not relieved because of the limit on the aggregate of Section 201 relief and credit).

The effect of this change in practice will be to reduce greatly the number of cases in which any restriction on the two reliefs is required and to render the restriction which is necessary in the remaining cases smaller than before.

It is understood that district Inspectors of Taxes are being instructed in the above procedure but that some time may elapse before detailed instructions can be fully issued. It is suggested that in the event of any difficulty district Inspectors should be asked to submit the papers to their Head Office for advice.

Yours faithfully,

D. N. SIMS

London, S.W.11.

Discounts

Sir,—Discounts given to retailers and to wholesalers are without doubt an important factor in securing the wide distribution and rapid sales of a manufacturer's product. Yet I can find very little published information on this subject. I wonder if those of your readers having experience of the problems involved could help?

My firm sells its products through a

few tens of thousands of outlets, both retail and wholesale. Our whole pattern of discounts is being reviewed, since we now operate over thirty different schemes.

I am seeking information about three main items. One, how large a percentage discount is needed effectively to secure prompt payment of accounts? Presumably the shorter the time allowed, the higher must be the discount allowed. Is 2½ per cent. enough to halve the proportion of bills still unpaid after a week—a month? Or is 5 per cent. needed? What rates are being used, and with what success by other firms?

Two, how large a discount is needed to increase the average size of each order? Here again presumably the steeper the rise in discount with increasing order size the more effective it is in securing larger orders. What is the "best" rate of increase? Once discount has started (at whatever minimum size of order) should a doubling of the order attract double the rate of discount?

Three, if an annual rebate on total sales is to be given, how steep a rise in discount rate with increasing total sales is needed effectively to increase sales? Presumably this rate of increase is different from that above since a longer time interval is involved.

In none of these cases, of course, can a theoretical approach give a quantitative answer. But in practice it would seem to be possible to lay down an upper and a lower limit. To go beyond the upper limit would be more costly than need be; to go below the lower limit would imply too low an efficiency.

Have your readers any data on where these limits should be drawn? Or any references to the relevant literature?

Yours faithfully,

London, W.2

D. A. W. DAY

A Holiday in Italy

Sir,—I am endeavouring to organise a holiday at Cattolica on the Italian Adriatic coast for articled clerks and students of accountancy.

The resort offers interesting sight-seeing, safe bathing and plenty of amusement. Accommodation would be provided at a modern *pensione* which has its own private beach. Excursions by coach to various places of interest, such as Venice, San Marino, Florence, are available at reasonable prices.

The cost would be £30 6s. 0d., including second-class sea and rail return fare and full board (twelve nights) at the *pensione*.

The outward journey would com-

mence on September 12, returning to London on September 26.

If any articled clerks or students interested in such a holiday will kindly communicate with me, I shall be pleased to send them further details.

Yours faithfully,

D. R. WATERS
(Articled Clerk)

85 Grove End Gardens
London, N.W.8

Notices

The monthly meeting for Bible Reading and prayer of the Accountants' Christian Fellowship will be held at 6 p.m. on Monday, July 7, in the vestry at St. Mary Woolnoth Church, King William Street, London, E.C.3. The scripture for reading and thought will be Luke, Chapter 13, verses 10 to 17 (the miracle of the cure of the deformed woman).

In liaison with the British Tabulating Machine Co. Ltd., a computer study group has been formed by representatives of six local authorities and a hospital board now using or preparing to instal the Hec type 1201 electronic computer. Meetings have been held in Birmingham, Nottingham and London: they are attended by technical representatives of the company. The chairman is Mr. D. J. Dempster, of Middlesex County Council.

A Business Efficiency Exhibition will be held in the City Hall, Manchester, from September 22 to 27.

The 1958 European Management Congress, organised by the International Committee for Scientific Management, will take place in Berlin from October 1 to 3. Participation by the United Kingdom is being arranged by the British Institute of Management.

Continuous stationery can be used on an ordinary typewriter by the use of Cat-Link, a transparent plastic "glove" which holds the carbons in position and reduces cost by avoiding the need for the stationery to be interleaved with carbons. The Cat-Link glove is supplied free to users of Catlin continuous stationery. Carbon inserts are available in sets of two, three, four or five carbons, and suffice for between 50 and 100 sets of forms.

The report of the British Computer Society for 1957-58 states that membership grew from 449 in May, 1957, to 1,300 in April, 1958, largely due to the formation of eight regional branches.

This contract is so one-sided that I am surprised to see it is written on two sides of the paper.—Lord Evershed, Master of the Rolls.

Publications

Practical Applications of Accounting Standards—A Decade of Comment on Accounting and Auditing Problems. By Carman G. Blough. Pp. v+469. (American Institute of Certified Public Accountants, 270 Madison Avenue, New York 16, N.Y., U.S.A.: \$6 net.)

THE AUTHOR IS Director of Research of the American Institute and editor of the column "Current Accounting and Auditing Problems," in the *Journal of Accountancy*. The book consists of a selection of articles which have appeared in that column during the period 1947 to 1957, and by publishing these selected articles in book form the author has attempted to apply to a wide variety of practical problems what he considers to be generally accepted standards of procedure in accounting and auditing in the United States.

Most of the articles take the form of actual problems encountered by readers of the journal and submitted for consideration. The author's suggested treatment of these problems is, wherever possible, based on the "Research Bulletins" and other pronouncements of the American Institute and its official committees, sometimes supplemented by the views of leading American practitioners. The reader is, however, warned that, although the book is published by the American Institute, the opinions expressed are not to be taken as its official pronouncements.

For the British reader probably the most important of the problems discussed are those relating to auditing procedures, the auditor's report, financial statement presentation and disclosure, and income determination.

As might be expected in a work of this nature, prominence is given to the confirmation of "receivables" and observation of inventories. In the hundred pages or so devoted to the auditor's report, there is included a lengthy discussion of the application and significance of "Statement on Auditing Procedure No. 23" (relating to the "Clarification of Accountant's Report when Opinion is Omitted"). That statement has been made very topical by the recent pronouncement of the American Institute, issued since the publication of this book, whereby members may be liable

to disciplinary action for failure to comply with the requirements in the statement.

The reader in this country must not expect to find in this book any consideration of costing or management accounting. He should approach with caution those "case studies" relating to the capital structure of corporations, for there are highly significant differences in terminology and legal requirements.

It is probable that the book will have only a limited appeal on this side of the Atlantic, but the British reader will undoubtedly gain some benefit from an insight into current American practices and trends of thought. H.H.

Green's Death Duties. Fourth edition, by C. D. Harding, LL.B. (London). (Butterworth & Company (Publishers) Ltd.: £4 15s. net.)

THE LATEST EDITION of this standard work has now been revised to take into account changes in law up to November 1, 1957, the earlier edition having been completed early in 1952.

It is in every respect an outstanding book, and though the present edition covers nearly 1,100 pages, including appendices, the subject matter is arranged under chapter headings in a manner which facilitates easy reference and is supported by a most comprehensive index.

The author is an official of the Estate Duty Office, and whilst this book is in no way an official publication, it is obviously of great value to practitioners as representing what is likely to be the official view. Of particular interest to practising accountants will be the chapter dealing with the value of unquoted securities, in which the *Holt* case is dealt with at some length. The whole question of valuations under Section 55 of the Finance Act, 1940, is most carefully explained, though some readers may not be entirely in agreement with the author's interpretation of the official pronouncement by Mr. R. Maudling, at that time Economic Secretary to the Treasury, on the thorny problem of negative goodwill.

The text of the book is annotated throughout with notes of leading cases and the lucid style of the author is reinforced by the practical examples, illustrated by figures, which are given; indeed this latest edition well lives up to the high standard of its predecessors and will be welcomed no less by accountants than by solicitors. It is always a pleasure to consult a book so well produced in every way by its publishers. A.C.C.O.

Elements of Company Law. By Harry Farrar, M.C., M.A., LL.B., Barrister-at-Law. Seventh edition. Pp. xvi+305. (Cassell & Co. Ltd. and The Donnington Press: 15s.)

TEXTBOOKS ON COMPANY law seem to be legion. Each new publication usually contains some sort of apologia for its apparent superfluity and some section or other of its possible readers are singled out as having their needs particularly supplied by the author. *The Elements of Company Law* by Mr. Harry Farrar is no exception. I must state, however, that the edition now before me is the seventh, a statement more eloquent of the virtues of the book than any cataloguing of its contents by me. Rightly or wrongly, successive generations of students have used this book to assist them through their examinations; they are probably the embryo accountants and secretaries—I trust not lawyers—referred to in the preface. For the limited purpose of such examinations this book is admirable. It is not too long as many are when overburdened with detail and it is not too short to be inadequate. It can safely be relied upon to satisfy examiners in elementary company law and that is what the author clearly intended it to do.

In these columns recently I had cause to sing the praises of Mr. Hornby's *Introduction to Company Law*. There the same ground was covered, but it was obvious from the manner of presentation and exposition that the student-reader of that book had not read the last word on the topic and that he had merely stepped upon the threshold of an intricate subject. Mr. Hornby had the serious law student in mind. *Elements of Company Law* is cast in a much different mould. It scarcely suggests the problems that can arise in the practice of company matters when the odd element varies. Accordingly the book will give a healthy confidence to the student when he is about to tackle his examination: he will have acquired a sound knowledge of the outline, but only his subsequent experience in handling company affairs will give it real life. J.S.O.

Book Received

Origins of Ownership—A Brief History of Land Ownership and Tenure from earliest times to the modern era. By D. R. Denman. Pp. 190. (George Allen & Unwin, Ltd.: 22s. 6d. net.)

Readers' Points and Queries

Income Tax—Sections 101, 314 and 341 of 1952 Act

Reader's Query.—I am surprised at the number of textbooks and articles which are satisfied with the vague phrase "primarily against other agricultural income."

I suggest that many readers would welcome an unequivocal statement that the two years' set-off of Section 341 loss against *all* income is paralleled in the case of

1. Section 101 re agricultural property.
2. Section 314.
3. The 10 per cent. investment allowance still added to Section 314 re heating insulation, etc.

I have been prompted to this suggestion by your own references to the matter in January, 1957 (page 23) and February, 1957 (page 69)—or am I mistaken?

Reply.—Reference should be made to Section 324, *Income Tax Act, 1952*, which provides that where a capital allowance is to be available or available primarily against a specified class of income, any balance is to be carried forward against income of the same class until relieved, unless notice is given in writing within one year (two years if the Finance Bill becomes law in its present form) after the end of the year of assessment electing to set the balance against other income. This provision covers allowances due to lessors of industrial buildings and of machinery and plant; maintenance allowances due to agricultural landowners under Sections 101 and 313; agricultural allowances under Section 314 (including investment allowances); and allowances in respect of ownership of patents under Sections 316 and 317. By Section 20 (8), *Finance Act, 1954* the set off against other income can be claimed for a Section 314 allowance brought forward from the previous year (but not from earlier years). A Section 341 claim is entirely different. It is a claim to set a trading loss against total income; nevertheless, any loss must first be applied against income of the corresponding class (that is, first against earned or unearned income according to the nature of the loss).

"The Sum Actually Expended"

Reader's Query.—The case of *Hinton v. Maden & Ireland Limited*, reported in your Advance Notes for March, 1958 (page 140), draws attention to Section 137 (d) of the *Income Tax Act, 1952*. Briefly this reads: "In computing the amount of the profits no sum shall be deducted in respect of any sum expended for repairs and utensils, etc., beyond the sum actually expended for those purposes."

I shall be glad if you can explain the meaning of this sub-Section because I cannot understand how a sum can be expended beyond the sum actually expended.

Reply.—The sub-Section presumably means that reserves or provisions cannot be made in advance of the actual expenditure, and that expenditure not of a revenue nature is inadmissible.

CHANGES OF ADDRESS BY SUBSCRIBERS

Any subscriber to ACCOUNTANCY changing the address to which he wishes his copies of the journal to be sent is asked to notify us at our offices at 23 Essex Street, London, W.C.2.

Members of the Institute of Chartered Accountants in England and Wales are particularly requested to note that changes of address reported to the offices of the Institute at Moorgate Place for the records of the Institute are not passed to the ACCOUNTANCY offices. The address of a member on the records of the Institute does not necessarily correspond with the address to which the member requires the journal to be sent, and a member may or may not be a subscriber to the journal. Thus it is necessary for ACCOUNTANCY to be separately notified if there is a change in the address for the posting of the journal.



VITAL STATISTICS

An interest in statistics is almost universal nowadays. We make no apology, therefore, for announcing that the total sums assured under pension schemes designed and administered by the Noble Lowndes Pension Service now exceed £300,000,000.

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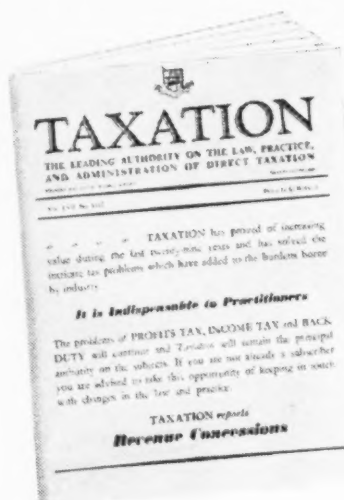
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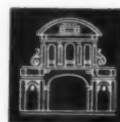
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Legal Notes

Company Law—

Date of Election of Directors

The dispute over the control of Gordon Hotels Ltd. has produced an interesting legal decision. By Section 182 of the Companies Act, 1948, every director who is by the articles of the company required to hold a specified share qualification and who is not already qualified must obtain his qualification within two months after his appointment or such shorter time as may be fixed by the articles. As a result of a poll held at a general meeting of the company on December 23, 1957, K. and L. were elected directors: the voting was completed on that day but the counting did not take place until the following day. The two directors were registered as holders of their qualification shares on February 24, 1958, and it was conceded that they were not qualified until the registrations were made, although they had contracted to purchase the shares sometime previously. The position therefore was that their qualification had been effected in time if they were "appointed" on December 24, 1957, when the votes were counted but not if they were "appointed" on December 23, when the poll was taken.

In *Holmes v. Keyes* [1958] 2 W.L.R. 772, the Court of Appeal, reversing the decision in the court of first instance, held that the appointments were not made until December 24, when the votes had been counted and the result of the poll ascertained.

It should be noted that in reaching their decision the Court had to construe the articles of the company, which were not quite the same as those contained in Table A, but it is thought that a similar construction would be placed upon most sets of articles. The Court pointed out that any other construction would produce most inconvenient results, for, until the result of the poll had been ascertained, no one could know who the directors of the company were.

Company Law—

Amendment of Winding up Petition

The case of *In re J. & P. Sussman Ltd.* [1958] 1 W.L.R. 519 illustrates both the importance of accuracy when drafting legal documents and the readiness of the court to allow the amendment of trifling errors. The true name of the company was "J. & P. Sussmann Ltd.," but in an action brought against the

company the name was spelt with one "n" only and this mistake was repeated in the appearance entered on behalf of the company, and in the subsequent winding up petition, advertisement and winding up order. When the usual steps were then taken to record the order on the register that order could not be recorded against the company J. & P. Sussmann Ltd., which did exist. By that time another creditor, who was closely associated with the company, had obtained judgment against the company in its true name and he now sought leave to appear out of time and to oppose the amendment of the winding up petition.

Vaisey, J., said that the company was at fault in entering appearance in its misspelt name and could not now be heard to say that the winding up order was not effective against the company in its true name. The Court had power to amend trifling errors of spelling and he would allow the amendment and refuse leave to appear.

Contract and Tort—

Covenants in Restraint of Trade

In *Kores Manufacturing Co. Ltd. v. Kolok Manufacturing Co. Ltd.* [1958] 2 W.L.R. 858, the Court of Appeal affirmed the decision of Lloyd-Jacob, J., which was noted in ACCOUNTANCY for December, 1957 (page 541). The two companies had agreed that without the consent of the other neither would employ any person who had been employed by the other during the five years previous to that time. The Court of Appeal reaffirmed the principle that a contract in restraint of trade cannot be enforced unless (a) it is reasonable between the parties and (b) it is consistent with the interests of the public. The Court said that the mere fact that the contract had been made between parties dealing on equal terms did not preclude the Court from inquiring whether or not the contract was reasonable between the parties and this contract was unreasonable, for it went far beyond what was necessary to protect the parties from the dangers against which protection was required.

The Court also pointed out that, if each company had made contracts with its employees that the employees should not enter the service of the other company for five years after leaving their employment, those contracts would have been unenforceable and it was open to question whether employers could validly contract with each other to achieve a result which they could not lawfully achieve by means of contracts with their own employees.

Miscellaneous—

Passing off; Infringement of Trade Mark

In *Baume & Co. Ltd. v. A. H. Moore Ltd.* [1958] 2 W.L.R. 797, the plaintiffs or their predecessors had traded in England as importers and distributors of watches for more than 100 years and had long been the registered proprietors of the trade mark "Baume." The defendants were also importers and distributors of watches: they imported watches manufactured by a Swiss firm called "Baume & Mercier, Société Anonyme"; both the watches themselves and the boxes in which they were sold bore the words "Baume & Mercier, Geneva." The plaintiffs claimed that they were entitled to an injunction on the grounds both of passing off and of infringement of a registered trademark.

It was admitted that the name "Baume" had for many years been associated with the watches distributed by the plaintiffs and the Court found as a fact that the sale by the defendants of Baume & Mercier watches was calculated to confuse the trade and the public. Therefore, an action for passing off would, *prima facie*, lie, and the question of law was whether it was a valid defence to show, as the defendants did show, that there had been an honest use by them of the maker's own name.

The Court of Appeal held that it was no defence to prove that the defendant had no intention to deceive, for fraud was not a necessary constituent of the action. Further a distinction must be drawn between two kinds of cases; there is a rule of law that no man may carry on his business in such a way as to represent that it is the business of another or is in any way connected with the business of another, but to this rule there may be an exception that a man may carry on his business in his own name so long as he does not do anything more than that to cause confusion with the business of another and so long as he does it honestly. But it is also a rule that a man may not so describe or mark his goods as to represent that the goods are the goods of another, and to this rule there is no exception. The plaintiffs succeeded in their action for passing off.

The Court went on to consider whether the plaintiffs could also succeed on the ground that there had been an infringement of their registered trademark; they said that the defendants were *prima facie* in breach of Section 4 (1) of the Trade Marks Act, 1938, but that as the defendants were *bona fide* using the manufacturers' name they were protected by Section 8 of that Act.

The Student's Columns

ADVANCEMENT AND HOTCHPOT

Satisfaction

THERE IS IN equity a doctrine known as "satisfaction." It lays down that if property is transferred to a donee by a donor and accepted by the donee a previously existing liability of the donor is discharged. The underlying idea is to prevent any person being paid twice in settlement of the same debt. Thus, in general terms, if a legacy is left for a creditor of a testator, it will be presumed that the legacy satisfied the debt; the presumption may, however, be rebutted if circumstances so indicate—for example, the debt might have been incurred after the making of the will.

Advancement

A father may leave a legacy to his child in his will with the intention of discharging his moral obligation to provide for the child; very often if there are such legacies of a substantial value, the presumption of such an intention will be maintained. Further, it may be that the beneficiary gets part of his share before the time when it would normally come to him. During his lifetime a father may give his child a certain amount of money or a certain property for the purpose of setting up the child in a business that will be the child's own. If the same child were left a legacy, then the presumption would be that the "advancement" will have displaced or "redeemed" the legacy. Once again, evidence of rebuttal might be admitted. Hence an advancement may be defined as a payment or grant *inter vivos* by a parent to a child of the whole or part of that which otherwise would have been given to the child at the father's death. The amount must not be a small or casual payment, but a material one, either for the purpose of establishing the child in life or on the child's marriage. A payment for educational purposes is not an advancement, but a premium paid on articles would be one. It has been held that payment of a son's debts is not to be considered as advancement; but a sum paid to assist the donee to emigrate would be so considered. In *Re Hayward, Kerrod v. Hayward* [1956] 3 All E.R. 608, the question was whether National Savings Certificates and deposits with the Post Office Savings Bank nominated by the deceased in favour of his eldest son were advancements. The deceased left all his property to his wife, who had predeceased him, so that the only

persons entitled were his two sons. The National Savings Certificates and Post Office deposits were more than £500 and the net estate was £1,779. Upjohn, J., thought the case a borderline one; £500 was quite large in relation to the total assets, but the elder son in whose favour the nomination was made was middle-aged, and as there was no evidence on the intentions behind the nomination, his Lordship conceded that there was no presumption of advancement, and this decision was recently affirmed in the Court of Appeal. The presumption of advancement extends to cover the case of a person in *loco parentis* (in the place of a parent)—for example, a mother, grandparent, or godparent—who advances to someone whom he treats as a child.

There is also a statutory power of advancement under Section 32 of the Trustee Act of 1925, which, subject to certain limitations, authorises trustees to apply capital money for the advancement or benefit of any person entitled to capital either absolutely or contingently.

Hotchpot

It will now be understood why a beneficiary under a trust or will to whom an advance has already been made must bring into account the advance when he becomes absolutely entitled to his final share. Amounts given by a testator in his lifetime to a child who is also a legatee must therefore be taken into account. The accounting for these advancements when distributing property to persons in predetermined portions after accounting for property previously received is known as "hotchpot." The purpose is to achieve equality between children who have received advances and those who have not—or among those who have received advances of different amounts. The advances liable to be brought into hotchpot may have formed part of settled funds, or they may have been given by the deceased in his lifetime and thus may never have formed part of the estate to be distributed, but there is no distinction in principle between the two types.

The practical significance of hotchpot should now be obvious. The knowledge that it will operate enables a testator to make gifts without having to alter his will each time. He would do well to make its operation certain by putting a hotchpot clause in the will, showing that he

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wishes the gifts to be treated as payments on account of the sums receivable after his death. If there is a trust, the hotchpot clause will see to it that the rights of the beneficiaries are adjusted *inter se* when the final distribution is made.

The doctrine of satisfaction will also operate in intestacy; advances made by an intestate to his children must also be brought into hotchpot if the children wish to share. To preserve equality among the children, Section 47(1) (iii) of the Administration of Estates Act, 1925, enacts that, subject to any contrary intention appearing, advancements to a child must be taken into account in satisfying the child's share or the share he would have had if he had survived the intestate. If the child has predeceased the deceased, the children of the child will obtain the proper share by bringing in the value of advances made to their parent. It was decided in the case of *In Re Binns, Public Trustee v. Ingle* (1929, 1 Ch. 677) that this principle that children claiming to take by subdistribution the share of their deceased parent must bring into account an advancement made to their parent, does not apply to a debt owed by their parent to the estate, because the debt

was not in the nature of an advancement. The result, therefore, was that the children did not have to bring into account the debt owed by their deceased parent, although had their parent not died he would have had to set off his debt against his share of the estate. The grandchildren of the deceased (or his remoter issue) do not have to bring into account advances to themselves by the deceased.

Nobody can benefit under hotchpot who is not a descendant of the intestate—otherwise the purpose of securing equality among the children would be defeated. It follows that if a widow (or widower) survives, his (or her) share has to be deducted before applying the hotchpot provisions to the advances.

If there is a partial intestacy, interests acquired under the will by any issue must be brought into account, but not those acquired by other persons, unless there is a surviving spouse. A surviving spouse must bring into hotchpot against the statutory legacy of £5,000 or £20,000, as the case may be, any beneficial interests taken under the will other than personal chattels.

[To be continued]

DOUBLE TAXATION RELIEF—III*

WE CONCLUDE THIS series of articles with some further illustrations.

Illustration 3 (a)

An individual for 1956/57 had the following income and tax liability:

	£	£
Case I, Schedule D		1,200
Oversea income (taxed at 4/- in the £)		300
		<hr/> 1,500
Earned Income Relief (E.I.R.) ..	267	
Personal Allowance (P.A.)	240	
Child Allowance (Ch.A.)	100	
		<hr/> 607
		<hr/> 893
		<hr/>
	£	s. d.
Tax on £360 at reduced rates (R.R.)	93	0 0
533 at 8/6	226	10 6
		<hr/> 319 10 6
Effective rate $\frac{£319.525}{1,500} = 4s. 4d.$		
(Effective rates are always rounded up to the nearest penny.)		

*The first and second parts of this article appeared in ACCOUNTANCY for April (pages 205-6) and May issue (page 258)

Relief is at the oversea rate—£300 at 4/- = £60. Any life assurance relief is also to be given.

Illustration 3 (b)

Were the oversea rate 5/-, relief would be at 4s. 4d. but unrelieved tax would be left to be deducted from the oversea income. Effect is given to this deduction by grossing up the net oversea income (i.e. the £300 less tax £75 = £225) by reference to the rate of relief available.

$$£225 \times \frac{20}{15\frac{1}{2}} = £287 \text{ 4s. 8d.}$$

Relief is therefore:

	£	s.	d.
£287 4s. 8d. at 4s. 4d.	62	4	8
<i>Proof:</i> Oversea income	300	0	0
Unrelieved oversea tax			
£75 0s. 0d. — £62 4s. 8d. ..	12	15	4
	<hr/> 287	4	8

Illustration 4 (a)

The tax liability of an individual for 1956/57 was as follows:

	£
United Kingdom (U.K.) income (£3,000 earned)	4,000
Oversea income (oversea tax £375)	1,000
	<hr/> £ 5,000
E.I.R.	450
P.A.	240

Ch.A.	200				
		890			
		<u>4,110</u>			
		£	s.	d.	
Tax on £360 at R.R.		93	0	0	
3,750 at 8/6		1,593	15	0	
		<u>1,686</u>	15	0	
		£			
Surtax: Income		5,000			
P.A. and Ch. A. less £140		300			
		<u>4,700</u>			
		£	s.	d.	
Surtax on £4,000		287	10	0	
700 at 4/6		157	10	0	
		<u>445</u>	0	0	

Effective rate $\frac{£1,686.75}{5,000} + \frac{£445}{5,000} = 8s. 7d.$

Oversea rate $\frac{£375}{1,000} = 7s. 6d.$

Relief is therefore at 7s. 6d. in the £, the credit being for the full £375.

Illustration 4 (b)

Were the overseas rate over 8s. 7d., say 9s., the relief would be calculated as in Illustration 3 (b) above:

	£	s.	d.	
Net overseas income £1,000 — £450 = ..	550	0	0	
Gross at 8s. 7d. = ..	963	10	0	
Relief is therefore £963 10s. 0d. — £550				
(or £963 10s. 0d. at 8/7) = ..	413	10	0	
Tax payable:				
U.K. Income	£	4,000		
Allowances as above	890			
Life Assurance relief	50			
	<u>940</u>			
	3,060			
	<u>93</u>	0	0	
Tax on £360	1,147	10	0	
2,700 at 8/6	<u>1,240</u>	10	0	
	409	9	9	
Oversea income £963 10s. 0d. at 8/6	413	10	0	
Relief as above	<u>4</u>	0	3	
Tax repayable				
	4,000			
Surtax: U.K. Income	963			
Oversea Income	<u>4,963</u>			
Less Allowances	300			
	<u>4,663</u>			
Surtax	436	13	6	

Where indirect tax is involved, it is ignored in calculating the effective rate but taken into account in calculating the relief.

Illustration 5

								£
Income tax liability:								
U.K. Earned income	..	..	..	..	..	..	..	1,800
U.K. Unearned income	..	..	..	..	..	..	..	200
Oversea dividend								
3d. per share on 20,000 shares	..	..	..	..	..	..	..	250
								<u>2,250</u>
								£
E.I.R.	..	..	..	..	..	..	..	400
P.A.	..	..	..	..	..	..	..	140
								<u>540</u>
								<u>1,710</u>
								£
Tax on £360 at R.R.	..	..	..	..	..	..	..	93
1,350 at 8/6	..	..	..	..	..	..	..	573
								666
								15
								0
								<u>2,250</u>
Surtax: Income as above	..	..	..	..	..	..	..	2,250
Add: Building society interest								
received £201 5s. 0d.								
(not liable to income								
tax) at gross equivalent	..	..	..	..	..	..	..	350
								<u>2,600</u>
								£
Surtax	..	..	..	..	..	..	..	62
								10
								0

Note that building society interest received is not taken into account in calculating the income tax effective rate but is included in the total income for surtax as if it were a net dividend which had suffered income tax at 8s. 6d. in the £.

Effective rate $\frac{£666.75}{2,250} + \frac{£62.5}{2,600} = 6s. 5d.$

The overseas company had paid tax on its profits at 20 per cent. and also deducted and paid over to the overseas Revenue a withholding tax of 15 per cent. on the dividend.

The true gross of the overseas dividend is therefore $£250 \times \frac{100}{80} = £312 10s. 0d.$ and the total overseas tax is £100, thus:

	£	s.	d.
Profits needed for dividend	312	10	0
Underlying tax at 20 per cent.	62	10	0
	250	0	0
Withholding tax at 15 per cent.	37	10	0
Net dividend	212	10	0

Tax: £62 10s. 0d. + £37 10s. 0d. = .. 100

Effective rate $\frac{£100}{312.5} = 6s. 5d.$

As this rate equals the U.K. rate, the relief will be £100, the overseas tax suffered and no U.K. income tax will be due on the overseas income. In the surtax computations it will be brought in at £312 10s. 0d.

(Concluded)

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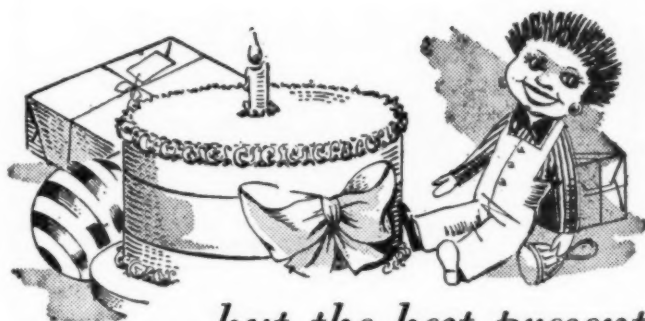
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Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, June 4, 1958, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. W. H. Lawson, C.B.E., President, in the chair; Mr. W. L. Barrows, Vice-President; Mr. J. Ainsworth, M.B.E., Mr. H. Garton Ash, O.B.E., M.C.; Mr. C. Percy Barrow-cliff, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E., Mr. J. Blakey, Mr. W. G. Campbell, Mr. P. F. Carpenter, Mr. W. S. Carrington, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. A. S. H. Dicker, M.B.E., Mr. S. Dixon, Mr. W. W. Fea, Sir Harold Gillett, M.C., Mr. J. Godfrey, Mr. P. F. Granger, Mr. J. S. Heaton, Mr. D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Mr. P. D. Irons, Mr. H. O. Johnson, Mr. H. L. Layton, Mr. R. B. Leech, M.B.E., T.D., Mr. R. McNeil, Mr. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. S. J. Pears, Mr. C. U. Peat, M.C., Mr. P. V. Roberts, Sir Thomas Robson, M.B.E., Mr. G. F. Saunders, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. G. L. C. Touche, Mr. A. D. Walker, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, M.C., T.D., Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Election of the President

The President: Gentlemen, the first item on the agenda of the ordinary meeting is to elect a President. I call upon Sir Harold Howitt.

Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., F.C.A.: Mr. President and Gentlemen, I have over many years watched the senior past President of the Institute make a recommendation to the Council as to who should be the President for the ensuing year; and I have always felt, when he has got up, what a great privilege and what a great responsibility is his.

Today I feel that privilege, just as all my predecessors have done, but quite frankly I do not feel much of a responsibility. I say that because I am sure you all know whom I am going to propose, and I am quite sure that you will all endorse what I recommend. In short, I propose to you that our Vice-President, Mr. William Leonard Barrows, should be elected President for the ensuing year. (Applause.)

It is impossible in a few words to attempt to cover the life history of Mr. Barrows, but I will try quite shortly to say a few things about the extent to which he has helped this Council and the profession; and also a few words on the personal side.

On the personal side, he started well by being articled in his present firm of which he is now senior partner—Messrs. Howard Smith, Thompson and Co. Mr. Barrows attained honours in both of his Institute professional examinations, being placed third in the Intermediate and fourth in the Final; and I am sure no one is more pleased than he that in this regard he has been left standing by his son, who recently got first Honours in his Final examination.

Mr. Barrows joined the Council in 1941 and has been, at one time or another, a member of all its important committees, and he has been chairman of many of them. It is hard to pick and choose in the wonderful record of service which he has given to the Institute, but I suspect that the committees which have given him the most satisfaction are those which deal with the future and the fortunes of our students, with our young members, and with the future of the profession.

He has played a notable part on the Examination Committee, having both set and moderated papers himself. He has been a major influence in the Oxford Summer Courses, in the university scheme and in all matters concerning articled clerks. He was a leading figure on the Planning Committee which sought to guide the future of the Institute following the upset of the war; and, in particular, he helped returning members in their refresher courses.

He took a leading part in the attempts at co-ordination of the profession, as I well know, and he also took a leading part in the eventual integration with the Society of Incorporated Accountants.

Mr. Barrows seems to have an infinite capacity for hard work and it is surprising to all of us who meet him here and know the time he gives to Institute affairs to recall what he does in his professional work in Birmingham, and to know that he is also chairman or a member of the board of many distinguished companies. It is very helpful that we should have as a member of the Council, and particularly as President, someone who knows the industrial side of the problems of the day, as well as the professional side.

His advice has been sought by the Government as a member of the E.P.T. Advisory Panel and as a member of the Board of Referees. He is a distinguished citizen of Birmingham, where he helps in municipal affairs as a magistrate, as a governor of the University and a member of the board of the Midland Teaching Hospitals.

With all these responsibilities on his shoulders, he none-the-less keeps up a cheery and smiling countenance—I nearly said cherubic! He is one of those who never intervene in debate unless he has something really helpful and worthwhile to say; and for that reason he is always listened to with the greatest respect when he speaks.

He has always kept himself fit, having been a member of the XV at Marlborough and having indulged in sports ever since—particularly his week-end Saturday shoots. I hope he will not allow the extra duties that are to be put upon him, as President, to interfere with those Saturday shoots, and I would like to suggest to him that, so far as he is able, he should persuade provincial societies that they should not always have their meetings on a Friday evening—at any rate, if they are a long way from Birmingham. If he could succeed in this he would be helping many others besides himself! (Laughter.)

With the greatest confidence I commend to you Mr. Barrows as in every way suitable to be elected President of the Institute, and I so propose. (Applause.)

The President: I call upon Mr. Parker.

Mr. W. E. Parker, C.B.E., F.C.A.: Mr. President, I should like to second the proposal that Sir Harold Howitt has made. I do so very warmly and sincerely but I shall also do it briefly, for two reasons: first, because having listened to Sir Harold I cannot think that Mr. Barrows needs any further commendation; second, because I believe he is a foolish man who would try to embellish or embroider anything that Sir Harold says.

Sir Harold has indeed referred to all the important matters in Mr. Barrow's record, save one. I should like to repair that omission by referring now to the honorary degree of Doctor of Laws which is being conferred upon Mr. Barrows this year by the University of Birmingham. That is an honour of which he may well be proud.

But it is not on past record alone that we should judge the suitability of a candidate. I venture to say that in any high office character is what counts most. I have only had the privilege of seeing Mr. Barrows in the work of the Council and its committees for a little over twelve months; but that short time has been quite long enough

to impress me with his ability not only to see clearly the right objective but, having done so, to go straight for it with determination.

Mr. Barrows is a Marlburian and having as a visitor spent at Marlborough the coldest night of my life, I regard it as a rugged school! Perhaps that is where some of Mr. Barrows's strength of character was bred. I am reminded of a certain O.T.C. field-day in the early 1920s when Marlborough and my own school were on opposing sides. The plan of the battle was completely disrupted by the appearance of a Marlburian section behind our lines. They had got there by going straight for their objective, regardless of boundaries. (Laughter.) To the enraged umpire on horseback who demanded heatedly how the dickens they had got there, their section-leader replied: "Sir, by sheer grit!" (Laughter.)

I do not know whether that section-leader was Mr. Barrows but I feel very sure that, as President, he would lead us with a like directness and determination; and for that reason in particular I would like to support his candidature. (Applause.)

The President: I put that to the meeting. *The resolution passed by acclamation.*

Mr. Lawson: Mr. President—if I may be the first to call you that—I have much pleasure in investing you with this badge of office and wishing you a very happy and successful year.

Mr. Barrows (on taking the chair): I thank you, Sir Harold and Mr. Parker, for all the kind and flattering things you have said about me in proposing and seconding my election as President of this great Institute. I also thank the members of the Council for the spontaneous manner in which you have received the resolution.

I must admit that I am somewhat overwhelmed by your kindness and overawed by the duties and responsibilities which lie ahead. The coming year will be the first full year of working since the implementing of the arrangements with the Society of Incorporated Accountants. With approximately 10,000 new members (I believe we were told this morning that it is 9,972) it must be a year of consolidation and of adapting our plans and ideas to the present needs. One of the most pressing problems is a review of the whole system of recruitment and training, in the light of the changed and changing national conditions.

Sir Harold, I have now an opportunity of congratulating you on the honorary degree of Doctor of Laws which, I believe, the University of your native city conferred upon you a few weeks ago. (Applause.) In that connection it has been suggested to me that perhaps we ought to re-write one of the paragraphs in the little booklet *Why Not Become a Chartered Accountant?* and refer to one of the possible advantages—that of obtaining honorary degrees! (Laughter.)

As an articled clerk in Birmingham and honorary secretary of the local students' society, I had the privilege of meeting a number of Presidents during my articles; and

I well remember that those meetings fired me with an ambition to rise to the top of my chosen profession. Now, today, I become one of those very few who attain such an ambition—and I feel extremely humble.

I am glad that once again there is a President from Birmingham, a city with which my family has been associated for over two centuries and which has provided me with my living and the opportunity to serve the profession. It is also a particular pleasure to know that the grandfathers of two of my present partners are Past Presidents of this Institute. I refer to Mr. Jarvis William Barber of Sheffield, who was one of the original petitioners for the Charter. I see his name up there on that extract from the Royal Charter; he was President of the Institute in 1912/1913. And Mr. Arthur Henry Gibson of Birmingham, grandfather of my partner, Mr. K. J. Milligan, was President in 1916/1917.

During the past year it has been my privilege to serve as Vice-President under Mr. W. H. Lawson, our immediate Past President; I have been the understudy who has been seldom called upon to take the place of his master. I do not wish to intrude on the preserves of other speakers, but I must say what an inspiration and delight it has been to work under him.

Before closing I wish to express my gratitude to my wife and family, my partners and staff and my clients for their forbearance and understanding in enabling me to accept this office. This is the happiest day of my professional life and once more I express my gratitude for the confidence you have reposed in me and the great honour you have paid to the provinces and myself in electing me President of the Institute for the ensuing year. May I ever be mindful of the important duties I owe to the profession, and the Institute in particular, and justify that wonderful support which I know I am going to receive from the Past Presidents, the members of the Council, from Mr. MacIver and the whole of his staff, and from members generally. (Applause.)

Election of Vice-President

The next business is the election of the Vice-President.

Mr. H. Garton Ash, O.B.E., M.C., F.C.A.: Mr. President, may I tender to you my most sincere congratulations and very best wishes for a very happy year of office.

Gentlemen, the very pleasant duty devolved upon me of submitting to you the name of one of the members of this Council for election as Vice-President of the Institute for the ensuing year. I am pleased to submit to you that of Mr. Charles Urie Peat. (Applause.)

Charles Peat was born on February 28, 1892. He was fortunate at the start, for as that was a leap year a little delay in arrival would have meant that by now he would have had only fifteen birthdays. (Laughter.) He went to Sedbergh and from there to Trinity College, Oxford, where he obtained a degree in law and was awarded his Blue for cricket. He was articled to Mr. G. B.

Nancarrow of London in October, 1913, and very shortly forsook accountancy for the Army; and by reason of his war service was exempted from the Intermediate examination.

He became a member of the Institute in 1920 and commenced practice in 1923, taking up his fellowship in 1929. He was elected a member of this Council in 1944. I am sure you will not expect me to give you a full list of his activities for the Institute. He has served on eight committees including General Purposes, Parliamentary, Law and Investigation; and recently we have seen him as chairman of the Articled Clerks Committee dealing with the intricate problems of integration as affecting articled clerks and bye-law students.

In 1956 he was nominated by the President to serve on the adjudicating panel for the first award of the Sir Harold Bellman Challenge Cup of the Building Societies Association. We know that he takes a very keen interest in all the work of the Institute to which he sets his hand, and a very active part in all those duties.

This will not be the first occasion on which a Peat has occupied the chair of Vice-President, for his father, the late Sir William Peat, was elected to that high office in 1905. We are indeed happy to see the son following his father into that chair.

Charles Peat is a "Rough Rider" and a good rifle-shot. His war service in the first world war was with the City of London Yeomanry—well named "The Rough Riders." His service took him to Palestine and Salonika, and he was awarded a Military Cross for his services in the operation leading to the capture of Jerusalem. He and I must have been very near each other in those days, but again he was fortunate, for he was covering the ground on horseback and not following up with the "P.B.I."! (Laughter.) His military service did not entirely end with the first world war, for in the second world war he served for a time with the 6th Battalion Durham Light Infantry.

Between the wars he spent two years in New York with his American firm. I will leave it to the seconder of this proposal to refer to his many activities outside the Institute. I commend this proposal to you not only for his work for the Institute but also on personal grounds which, as has already been said, are so important a factor—for Charles Peat has a most engaging personality.

Mr. President, it is with full confidence that I propose Mr. Charles Urie Peat be elected Vice-President of the Institute for the ensuing year. (Applause.)

Mr. G. F. Saunders, F.C.A.: Mr. President, it gives me the very greatest pleasure to second the proposal for the election, as Vice-President, of Mr. Charles Urie Peat. Mr. Garton Ash, in his proposal, has dealt very fully with Mr. Peat's professional life and his contribution to the affairs of the Institute through his work on the Council; but in our Vice-President we look for one who is endowed with other qualities in

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addition to those arising from his profession, and in Charles Peat we have a man who is rich in this respect.

Besides being a man of courage, as his military career indicates, and a scholar, he has a great record as a sportsman. At Sedburgh he earned his colours at rugger and cricket and was a member of the shooting VIII; and in addition to being awarded his Blue for cricket at Oxford he afterwards played for Middlesex. My search through the pages of *Wisden* reveals that in the 'Varsity match of 1913 C. U. Peat was stumped in both innings; but he has not always been "stumped," as he was Conservative Member of Parliament for Darlington from 1931 to 1945—fourteen years. He was Parliamentary Private Secretary to the President of the Board of Trade (then Mr. Oliver Lyttelton) in 1941; Joint Parliamentary Secretary of the Ministry of Supply, 1942-45 and Parliamentary Secretary of the Ministry of National Insurance in 1945.

Mr. President, I believe this must be the first occasion in the history of this Institute that one who has held office as a Junior Minister has been proposed for election as Vice-President.

In addition to all these activities, Charles Peat, whilst a man of the City, is essentially a countryman; and amongst his hobbies he counts the pursuits of fishing and stalking—pastimes which are particularly appropriate to one who follows the occupation of a chartered accountant! (*Laughter.*) He also takes a keen interest in sylviculture (a pursuit which will stand him in very good stead as Vice-President by enabling him to pick out the wood from the trees!), whilst in his home in County Durham Charles Peat and his wife are most charming and gracious hosts.

Mr. President, in one with all these qualities we have a man who is most ably fitted to fill the post of Vice-President of the Institute, and I have the very greatest pleasure in seconding the proposal made by Mr. Garton Ash. (*Applause.*)

The President: You have heard the resolution proposed and seconded. Those in favour?

The resolution was passed by acclamation.

The President: I declare Mr. Peat elected Vice-President. Mr. Peat, I have very great pleasure in investing you with your badge of office.

Mr. C. U. Peat, M.C., M.A., F.C.A.: Mr. President, may I, before I say anything else, support the remarks of Mr. Garton Ash in congratulating you on the office you have just attained. We are most fortunate in having somebody so brilliant and so young to occupy the post which you now hold.

Mr. President and gentlemen, I have to thank you for electing me Vice-President; and those who proposed me, Mr. Garton Ash and Mr. Saunders, for the very kind things they said about me.

This appointment is to me something more than an important event in my life. It goes back into my heart, in that you have

been kind enough to mention my father. If he were alive today he would be 106 years old, and it must be about ninety years since he came to London to try to earn his living, with his passage-money to Canada in his pocket. He got a job in an accountant's office within a few days of the money he had allocated to himself for his stay in London running out.

My father was forty years older than I was and I was too young to appreciate, or to share with him, his professional life; but as a father he was all that one could wish for. He was generous in the extreme, and his breadth of mind and affection, are things I treasure dearly and so in occupying this chair my heart is definitely touched with the thought of what he would have felt had he been alive.

Mr. President, I do not want to detain the Council today. I know that when you were elected Vice-President you said (if my memory does not fail me) that you were fully aware of your limitations and that you approached your task with considerable humility. Well, Mr. President, it is the mark of a great man to be humble—and that I give you in full measure; but I have yet to find out your limitations. I am afraid my limitations are all too obvious, but my knowledge of them enhances my appreciation of the great honour which has been conferred upon me.

The kind remarks that have been made by the proposer and seconder indicate that my experience as an accountant is not very great. I have served for many years in America and in this country, but I did have that break of fourteen years when I was in Parliament, which was an important period in my life.

It was said that when I was in America I served there with my own firm, but that is not quite correct. I had the privilege of being connected with Messrs. Price Waterhouse & Co. and of being particularly under the paternal help and advice of George May; and I would like, here and now, to pay my tribute to that very great man, who in many ways was my father in accountancy.

I shall do my best to perform the duties of Vice-President to the satisfaction of all concerned.

Mr. President, you are a young man—almost young enough to be my son, although that would have been a little precocious as far as I am concerned! (*Laughter.*) I know the pace is going to be hot and my job in the next year is to support you; and support you I will, to the very best of my ability whenever you call upon me.

The pace may be hot. There is a lot of work in front of us, as you have a lot of work to be done, resulting, as you have already indicated, from the broadening of the basis of our profession and the changes which are taking place; but hot as the pace may be, I hope that at the end of my year of office and yours we shall still be within speaking distance of each other. (*Applause.*)

The President: The next resolution is in the hands of Mr. Touche.

Vote of Thanks to Retiring President

Mr. G. L. C. Touche, B.A., F.C.A.: Mr. President and gentlemen, I am very pleased that I have been asked to propose the vote of thanks to the retiring President. Although others could do it better, it gives me the opportunity of giving public expression to the very high regard in which I hold him. I am sure that all those of us here who have known Mr. Lawson for some time hold him in equal regard.

The Presidency which has just ended has been an arduous and historic one. In the long history of the Institute it will stand out as a notable milestone by reason of the fact that it marked the integration in our body of the great majority of Incorporated Accountants. Of this event Mr. Lawson has been successively father, midwife and "nanny" (*Laughter*); and it is surely most fitting that it should have come to birth during his year of office.

Before the birth there was some opposition and more misgivings but as far as I can see, from the "ivory tower" in which we sit, the scheme has been generally accepted with very little difficulty and is working smoothly and fruitfully. That this should be so is due in large measure to the personal qualities and exertions of the retiring President. (*Cries of "Hear, hear!"*)

He has an acute intelligence which is able to isolate and clarify the essence of a problem. He has the strength of character to take hard decisions. Moreover, this powerful armament operates behind an unassuming façade of humour, tolerance and good nature, which few are able to resist. We are indeed fortunate to have had such a man to preside over us during the past year.

There are many other things which might be said of Mr. Lawson, but as there is a seconder to the motion I must not exceed my stint. I therefore move that the Council records its deep gratitude to Mr. Lawson for the service he has rendered as President of the Institute during the past year, fully appreciating the exceptional exertions which these services have entailed. (*Applause.*)

Mr. P. D. Irons, B.COMM., A.C.A.: Mr. President and gentlemen, it is with the greatest personal pleasure and sincerity that I accept your invitation to second this vote of thanks to the retiring President. Mr. Lawson was Vice-President when I joined the Council and I am most grateful to him for the kindly way he helped me, as a "new boy," to feel at home.

In the same year I was privileged to give him some minor moral support—not that he needed it!—at some of the meetings held to explain the principles of integration in the area of the South-Eastern Society. All of you who heard him in action on such occasions will, I know, agree with me that he showed not only a complete mastery of the subject but an incredible ability to "put it over" in an understandable way to his audience. His answers to awkward questions were not only honest and to the point but showed a degree of sympathy with any doubters which not only assured the success of the

subsequent poll but endeared him to a very wide cross-section of the profession.

This year I have had the very great pleasure and privilege of supporting him, as President of the South-Eastern Society, on a number of occasions as one of the chorus of satellites attending district society annual dinners. If any of you gentlemen thought that your society was especially privileged by the charm of Mr. Lawson's manner on that evening, or the excellence of his after-dinner speech—always given without notes and varied to the occasion and to the speech which preceded it—you will have been mistaken. He was consistently on the top of his form, a tremendous credit to the Council and the Institute, and I was proud to be associated with him.

If I may mention one last matter for which I feel sure posterity, as far as we industrial and commercial accountants are concerned, will always remember Mr. Lawson's Presidency with gratitude, it is the setting up of the Consultative Committee to consider matters particularly affecting our interests. As soon as the suggestion that such a committee might serve a useful purpose was brought to Mr. Lawson's attention he, to my personal knowledge, took a close personal interest in the proposal, and in my opinion it is largely thanks to him that we now have a virile Consultative Committee which I sincerely hope and believe will help to weld all members of our profession more closely together. I believe Mr. Lawson will never have cause to feel that the support and help he gave to the idea was misplaced.

It is with the greatest pleasure and sincerity that I second this vote of thanks to you, Mr. Lawson, for everything you have done to enhance the prestige of this Council and our Institute during your year of office as President. (*Applause.*)

Mr. W. H. Lawson, C.B.E., B.A., F.C.A.: Mr. President and gentlemen, I am very grateful to Mr. Touche and Mr. Irons for the most kind things they have said in moving and seconding this resolution; and thank you, gentlemen, for the way in which you have received it.

When I started on my year of office I did not expect to enjoy it. I took with a grain of salt the assertions of some of my predecessors that they had enjoyed themselves immensely. I accepted, rather, the statement of another Past President that he had let off fireworks in his garden on the day of his release! (*Laughter.*)

Looking back on the past year, however, I find that it really has been a very happy one. It has been a pleasant experience to try, as best I could, to help in bringing the integration scheme into operation and to help to promote that atmosphere of co-operation amongst all concerned which was—and still is—so essential for the success of the scheme.

I am most grateful for the tremendous support which I have received during the year from Mr. Barrows, as my Vice-President, from the Past Presidents and members of the Council, from Mr. MacIver,

our Secretary, the Assistant Secretaries and the staff of the Institute; and I am greatly indebted to my wife and to my partners, who have given me such frequent and extended leave of absence.

Mr. President and gentlemen, thank you all very much.

Appointments to Committees

The following committees were appointed for the year 1958/59:

President ex-officio member of all Committees other than the Disciplinary and Investigation Committees.

Vice-President ex-officio member of all Committees other than the Disciplinary, Investigation and P. D. Leake Committees.

Applications

E. Baldry, J. Blakey, C. Croxton-Smith, L. C. Hawkins, R. B. Leech, R. McNeil, J. H. Mann, G. F. Saunders, K. G. Shuttleworth, J. E. Talbot, M. Wheatley Jones, E. F. G. Whinney, R. P. Winter, V. Walton.

Articled Clerks

W. L. Barrows, T. A. Hamilton Baynes, P. F. Carpenter, H. O. Johnson, H. L. Layton, Bertram Nelson, C. U. Peat, J. E. Talbot, M. Wheatley Jones, E. F. G. Whinney.

Disciplinary

T. A. Hamilton Baynes, D. A. Clarke, C. Croxton-Smith, A. S. H. Dicker, Sir Harold Gillett, Bertram Nelson, G. F. Saunders, C. M. Strachan, A. D. Walker, M. Wheatley Jones, E. F. G. Whinney, R. P. Winter.

District Societies

J. H. Bell, G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, A. S. H. Dicker, P. F. Granger, P. D. Irons, H. O. Johnson, R. B. Leech, R. McNeil, C. U. Peat, F. E. Price, L. W. Robson, K. G. Shuttleworth, C. M. Strachan, E. D. Taylor, A. D. Walker, J. C. Montgomery Williams, R. P. Winter.

Examinations

C. P. Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, W. G. Campbell, P. F. Carpenter, D. A. Clarke, W. G. Densem, A. S. H. Dicker, J. Godfrey, J. S. Heaton, D. V. House, R. McNeil, J. H. Mann, Bertram Nelson, J. E. Talbot, A. D. Walker, V. Walton.

Finance

J. Ainsworth, H. A. Benson, W. S. Carrington, D. A. Clarke, J. Clayton, A. S. H. Dicker, W. W. Fea, Sir Harold Gillett, P. D. Irons, F. E. Price, P. V. Roberts, E. D. Taylor, G. L. C. Touche, J. C. Montgomery Williams.

General Purposes

H. Garton Ash, E. Baldry, W. L. Barrows, J. Blakey, W. S. Carrington, A. S. H.

Dicker, Sir Harold Gillett, Sir Harold Howitt, W. H. Lawson, C. U. Peat, L. W. Robson, Sir Thomas Robson, G. F. Saunders, C. M. Strachan, E. D. Taylor, R. P. Winter, Sir Richard Yeabsley.

Investigation

H. Garton Ash, C. P. Barrowcliff, J. Blakey, P. F. Carpenter, P. F. Granger, D. V. House, S. J. Pears, E. D. Taylor.

Library

T. A. Hamilton Baynes, J. H. Bell, G. T. E. Chamberlain, D. A. Clarke, J. Clayton, J. Godfrey, J. S. Heaton, R. B. Leech, K. G. Shuttleworth, A. D. Walker, E. F. G. Whinney.

Overseas Relations

W. S. Carrington, W. G. Densem, Sir Harold Howitt, W. H. Lawson, H. L. Layton, W. E. Parker, S. J. Pears, Sir Thomas Robson, G. F. Saunders, Sir Richard Yeabsley.

Parliamentary and Law

H. A. Benson, W. S. Carrington, J. Clayton, W. G. Densem, W. W. Fea, P. F. Granger, J. Godfrey (co-opted), Sir Harold Howitt, W. H. Lawson, R. G. Leach (co-opted), J. H. Mann, W. E. Parker, S. J. Pears, Sir Thomas Robson, G. F. Saunders, C. M. Strachan.

P. D. Leake

W. G. Campbell, P. F. Carpenter, Bertram Nelson, Sir Thomas Robson.

Summer Course

W. L. Barrows, T. A. Hamilton Baynes, P. F. Carpenter, W. S. Carrington, A. S. H. Dicker, W. W. Fea, D. V. House, P. D. Irons, H. L. Layton, G. F. Saunders.

London and District Society of Chartered Accountants

The following members were appointed by the Council to serve on the committee of the London and District Society of Chartered Accountants for the ensuing year: Mr. D. A. Clarke, Mr. D. V. House, Mr. E. F. G. Whinney.

Joint Standing Committee of the Universities and the Accountancy Profession

Mr. Bertram Nelson was appointed by the Council to serve on the Joint Standing Committee of the Universities and the Accountancy Profession.

Professional Classes Aid Council

Mr. J. A. Allen, F.C.A., was appointed as the Institute's representative on the Professional Classes Aid Council.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from 387 members of the Society of Incorporated Accountants for admission to membership of the Institute pursuant to the Scheme of Integration referred to in clause 34 of the

Supplemental Charter. All the new members have been notified. The total number of members now admitted under the Scheme is 9,972.

Re-Admissions

One application for re-admission to membership was acceded to.

Exemption from the Preliminary Examination

One application under bye-law 79 for exemption from the Preliminary examination was acceded to.

Exemption from the Intermediate Examination

(a) One application under bye-law 63 (d) for exemption from the Intermediate examination was acceded to.

(b) One application under bye-law 85 (b) for exemption from the Intermediate examination was acceded to.

Reduction in Period of Service Under Articles

Two applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Associates Commencing to Practise

The Council received notice that the following associates have commenced to practise:

ALBURY, ARTHUR JAMES; A.C.A., 1951; (McCabe & Ford), 4 Queen Street, Ashford, Kent, and at Cranbrook and Maidstone.
BAINBRIDGE, WILLIAM; A.C.A., 1958; (S. 1935); (Paul, Dowd & Co.), 80-86 Lord Street, Liverpool, 2.
BARTFIELD, WILLIAM; A.C.A., 1954; (Bartfield & Co.), 10 Butts Court, Leeds, 1, and at London.
BASSETT, ARTHUR AUSTIN; A.C.A., 1940; 55 Hyde Road, Paignton, Devon.
BATCHELOR, DAVID WALTER; A.C.A., 1952; (Amherst & Shapland), 45 High Street, Wellington, Somerset, and at Minehead.
BENNETT, GEORGE WILLIAM D'ARCY; A.C.A., 1950; (Herbert Pepper & Rudland), Waterloo House, 20 Waterloo Street, Birmingham, 2.
BENNETT, MONTAGUE ALFRED; A.C.A., 1958; (Maurice Thei & Co.), Gloucester House, 19 Charing Cross Road, London, W.2.
CAVANAGH, WILFRED; A.C.A., 1949; (Waterworth, Rudd & Hare), Central Buildings, Richmond Terrace, Blackburn.
CHARLES, JOHN BOLTON; A.C.A., 1934; (Robson, Morrow & Co.), 14 Figtreet Lane, Sheffield, 1, and at Birmingham, Glasgow, London and Johannesburg.
CHATER, CHRISTOPHER THOMAS; A.C.A., 1957; (Cattell & Chater), Bank Chambers, High Street, Kettering, and at Corby and Rushden.

S. means year of admission to membership of the Society.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

CHUGG, GERALD ALFRED; A.C.A., 1958; (S. 1950); (J. Wallace Williams & Co.), 5 St Andrews Crescent, Cardiff.

CRANE, ALBERT GORDON; A.C.A., 1958; (S. 1942); (*Tripp & Crane), 34 Fisherton Street, Salisbury, Wilts.

CURRIE, GORDON WILLIAM; A.C.A., 1958; (S. 1953); (*O. & W. B. Haworth), 44 Abingdon Street, Blackpool.

DENNIS, GEORGE ARMSTRONG; A.C.A., 1952; (Campbell, Toulmin & Co.), Dalton Chambers, 41 John Dalton Street, Manchester, 2.

ELLIOTT, ANTHONY GORDON; A.C.A., 1955; (†Sproull, Goddard & Co.), 2 Gayton Road, Harrow, Middlesex, and at London.

FENLEY, WILLIAM LAURENCE JOHN; M.A., A.C.A., 1958; 117 St. George's Square, Westminster, London, S.W.1.

FREDS, RONALD VICTOR; A.C.A., 1958; (S. 1941); (L. A. Clemence & Co.), 46 Church Avenue, Beckenham, Kent, and at London.

GEORGE, HOWARD GRANVILLE; A.C.A., 1958; (S. 1952); (J. Wallace Williams & Co.), 5 St. Andrews Crescent, Cardiff.

GREEN, TOM BARRATT; A.C.A., 1958; (S. 1953); (Stoddard, Goodwin & Green), 6 Commerce Street, Longton, Stoke-on-Trent.

GRIMWOOD, VICTOR ERNEST; A.C.A., 1958; (S. 1954); (McCabe & Ford), 17 Hart Street, Maidstone, Kent, and at Ashford and Cranbrook.

GROOM, DAVID BEDFORD; A.C.A., 1957; 35 Brookfield Avenue, Sutton, Surrey.

GRUT, RALPH; A.C.A., 1917; 33 West Hill Sanderstead, Surrey, and at London.

GUEST, PETER NEIL; A.C.A., 1951; (Caldwell & Guest) and (McBurnie & Constantine), 318 Tower Building, Water Street, Liverpool, 3.

HILL, HOWARD; A.C.A., 1954; (*R. S. Barnett, Hill & Co.), 5 Great Eastern Avenue, Southend-on-Sea, Essex.

HILL, IAN FREDERICK DONALD; A.C.A., 1952; (Cook & Co.), 24 North John Street, Liverpool, 2.

HINDERER, ALBERT ALAN; A.C.A., 1958; (S. 1957); (†Alexander B. Neil & Co.), 49 London Wall, London, E.C.2.

JONES BRYAN JOHNSON, B.A.; A.C.A., 1954; (*W. J. Matthews & Son), 34 Castle Square, Caernarvon, North Wales.

KELLY, JOSEPH FRANCIS; A.C.A., 1958; (*Forrestal & Co.), 1 Newgate Street, Newcastle upon Tyne, 1, and at Alnwick.

LANE, PETER WILLIAM; A.C.A., 1953; (†Trevor Jones & Co.), 781 Hertford Road, Enfield, Middlesex.

LEWIS, HAROLD LOUIS; A.C.A., 1957; (*Collingwood, Burrows & Riley), 19 Victoria Street, Blackburn.

MAYSMOR-GEE, THOMAS CHARLES; A.C.A., 1958; (S. 1949); (Clifford Towers, Woodroffe & Co.) and (*F. Roberts & Co.), 15 Guildhall Road, Northampton; also at Rushden and Wellingborough (*F. Roberts & Co.).

MEADE, ERIC CUBITT; A.C.A., 1957; (†Deloitte, Plender, Griffiths & Co.), 5 London Wall Buildings, Finsbury Circus, London, E.C.2. (for other towns see †Deloitte, Plender, Griffiths & Co.).

NORRIS, GORDON HUBERT; A.C.A., 1951; (P. A. Bridger & Co.), 32 High Street, Erdington, Birmingham.

POTTON, ALEC FREDERICK; A.C.A., 1958; (S. 1949); (J. W. Austin & Co.), 8 Hitchin Street, Biggleswade, Beds.

PULLEY, BRIAN ROBERT; A.C.A., 1958; 76 Bilton Grange Road, Yardley, Birmingham, 26.

QUARRY, BRIAN AUBREY HERBERT; A.C.A., 1950; (J. W. Austin & Co.), 8 Hitchin Street, Biggleswade, Beds.

RICHARDSON, BRIAN ERNEST; A.C.A., 1958; (*Stagg, Richardson & Co.), 7A High Road, Chadwell Heath, Essex.

SHINER, THOMAS CHRISTOPHER; A.C.A., 1956; (Rowland Hall & Co.), 44/46 Orsett Road, Grays, Essex.

SIMLER, GERALD JOSEPH; A.C.A., 1958; (*Simler & Co.), 30 Thayer Street, London, W.1.

SMALLEY, JOHN; A.C.A., 1939; (F. W. Popplewell & Son), 48-50 Mosley Street, Manchester, 2, and at Buxton and Southport.

STONE, KENNETH BENJAMIN; A.C.A., 1953; (†Chalmers, Wade & Co.), 21 Bennett's Hill, Birmingham, 2, and at Liverpool and London.

SWALLOW, BRIAN; A.C.A., 1953; (James Hardman & Co.), 9 Church Terrace, Oldham.

TOWERS, BASIL CLIFFORD; A.C.A., 1956; (Clifford Towers, Woodroffe & Co.), and (*F. Roberts & Co.), 15 Guildhall Road, Northampton; also at Rushden and Wellingborough (*F. Roberts & Co.).

VINCENT, PETER JOHN CLARKE, M.A.; A.C.A., 1957; (Vincent & Goodrich), Salisbury Square House, Salisbury Square, Fleet Street, London, E.C.4.

WALKER, JOHN BRIAN; A.C.A., 1958; (S. 1956); 313 High Street, Lincoln.

WELLER, ROYSTON; A.C.A., 1958; (*K. & R. Weller), 3 Newhall Street, Birmingham, 3.

WREN, MAURICE ARTHUR; A.C.A., 1954; (Wilkins, Hassell & Co.), 10 Warrior Square, Southend-on-Sea, Essex.

YATES, CYRIL DAVID; A.C.A., 1953; 5 Little worth Road, Wheatley, Oxford.

Election to Fellowship

(a) Thirteen applications from associates for election to fellowship under clause 6 of the Supplemental Charter (bye-law 31) were acceded to.

(b) Nineteen applications from associates for election to fellowship under clause 3 (b) of the Scheme of Integration referred to in clause 34 of the Supplemental Charter were acceded to.

Incorporated Accountant Members

Applications from the following Incorporated Accountant members, A.S.A.A., to use the letters F.S.A.A. under clause 4 (b) of the Scheme of Integration referred to in clause 34 of the Supplemental Charter were acceded to:

APPLEYARD, WILLIAM; (1958); A.S.A.A., 1934; Borough Treasurer, Bolton Corporation, Town Hall, Bolton.

BARRACLOUGH, ALLAN; (1958); A.S.A.A., 1926; Borough Treasurer and Chief Rating Officer, Batley Corporation, Borough Treasurer's Office, Town Hall, Batley, Yorks.

BISS, RICHARD WILLIAM HENRY, M.B.E.; (1958); A.S.A.A., 1933; Borough Treasurer and Chief Rating Officer, Wood Green Corporation, Town Hall, Wood Green, London, N.22.

BORDOLI, SIDNEY BRYAN; (1958); A.S.A.A., 1924; City Treasurer, Town Hall, Leicester.

BRADLEY, THOMAS HENRY; (1958); A.S.A.A., 1937; County Treasurer, Worcestershire County Council, County Buildings, Worcester.

COWAN, IAN MALCOLM, M.B.E.; (1958); A.S.A.A., 1930; Treasurer, County Borough of

Eastbourne, 16 Upperton Road, Eastbourne.
DOUGLAS, WILLIAM ROUTLEDGE; (1958); A.S.A.A., 1942; Borough Treasurer, Rating Officer and Local Taxation Officer, County Borough of Tynemouth, Town Hall, North Shields.

FILDEN, HERBERT SKELTON; (1958); A.S.A.A., 1933; Borough Treasurer, Middleton Borough Council, Town Hall, Middleton, Manchester.

FROST, FREDERICK; (1958); A.S.A.A., 1940; Borough Treasurer, Willesden Borough Council, Town Hall, Dyne Road, Kilburn, London, N.W.6.

GORVY, HAROLD AUBREY; (1958); A.S.A.A., 1950; (Jack, Bobrov, Levien & Gorvy), President House, 22 Barrack Street, Cape Town, South Africa.

HARMAN, WILLIAM RAYMOND; (1958); A.S.A.A., 1934; Borough Treasurer, Borough of Finchley, Finance Department, King Edward Hall, Finchley, London, N.3.

LUMSDEN, WILLIAM GRIEVE, M.B.E.; (1958); A.S.A.A., 1935; Town Chamberlain, Burgh of Motherwell and Wishaw, Town Hall, Motherwell, Lanarkshire.

MASON, EDWARD CHARLES; (1958); A.S.A.A., 1923; County Treasurer, Leicestershire County Council, Conway Buildings, Grey Friars, Leicester.

SPEKTOR, ELLIS; (1958); A.S.A.A., 1946; (Ellis Spektor & Co.), 3rd Floor, National Mutual Building, Church Square (P.O. Box 3798), Cape Town, South Africa.

STOTT, JACK; (1958); A.S.A.A., 1925; Borough Treasurer, Stretford Corporation, Town Hall, Stretford, near Manchester.

SUGDEN, GILBERT; (1958); A.S.A.A., 1938; Borough Treasurer, County Borough of West Bromwich, Town Hall, West Bromwich.

VINCENT, THOMAS HENRY; (1958); A.S.A.A., 1922; Borough Treasurer, Chatham Corporation, Town Hall, Chatham, Kent.

WATSON, THOMAS; (1958); A.S.A.A., 1932; County Treasurer, Derbyshire County Council, P.O. Box No. 2, County Offices, Matlock, Derbyshire.

WHITING, STANLEY PITTAM; (1958); A.S.A.A., 1933; Treasurer, Borough of Harrogate, Old Town Hall, Harrogate.

WIGG, CYRIL CHARLES; (1958); A.S.A.A., 1931; City Treasurer, Bulawayo City Council, P.O. Box 653, Bulawayo, Southern Rhodesia.

WILCOCK, FRED; (1958); A.S.A.A., 1924; City Treasurer, City and County of Newcastle upon Tyne, Town Hall, Newcastle upon Tyne, 1.

Admission to Membership

It was resolved that seventy applicants be admitted to membership under clauses 9 to 12 of the Scheme of Integration referred to in clause 34 of the Supplemental Charter.

Resignations

The Council accepted the resignation from membership of the Institute of:

CHAPMAN, HAROLD HILTON, A.C.A., Mitcham, Surrey.

LOCK, RODNEY, B.A., LL.B., A.C.A., Basingstoke.

PITT, BRIAN, A.C.A., Southport.

RAINFORTH, GEOFFREY FORD, F.C.A., Newport, Mon.

SWAN, JAMES GEORGE, F.C.A., London.

STRIDE, BASIL HUGH, A.C.A., Bristol.

Registration of Articles

The Secretary reported the registration of

articles of clerkship as follows:

	1958	1957
May	162	108
January to May ..	966	542

Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

ASSENHEIM, ALAN to ASHTON, ALAN.

FOX, JOHN ALEXANDER DON to DON FOX, JOHN ALEXANDER.

KENDAL, RONALD to KENDAL, RONALD WILLIAM.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

BLASON, CHARLES HENRY, A.C.A., Jersey.

BRISCOE, HERBERT ARTHUR, A.C.A., Worthing.

COCKE, Sir HUGH GOLDING, A.C.A., Liss, Hampshire.

CRANE, HAROLD, A.C.A., Fiji.

EILBECK, WILLIAM ARTHUR, A.C.A., Liverpool.

HALL, FREDERICK, A.C.A., Bradford.

HAYES, HARRY REGINALD, F.C.A., Manchester.

HILLYER, ARTHUR HEYWOOD, F.C.A., Exmouth.

LLEWELLYN, OWEN JOHN TOMPSETT, O.B.E., A.C.A., Nairobi.

OLLIER, LEONARD, A.C.A., Barnet.

PILLING, RICHARD, F.S.A.A., Tipton.

SOUTHWELL, JAMES PULLEN, F.C.A., London.

STIRK, PERCY WRIGHT, F.C.A., Keighley.

TURNER, OSCAR LISTER, A.C.A., Cape Town.

WILKINSON, CHRISTOPHER SMITH, A.C.A., Darlington.

Finding and Decision of the Disciplinary Committee

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at a hearing on May 6, 1958.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Harry Bouch, A.C.A., was at the Chester Assizes held on February 5, 1958, convicted of four charges of making false returns for that with intent to defraud he delivered or caused to be delivered to a Collector of Taxes employers' annual returns of pay and tax deductions relating to employees of a firm for the years ended April 5, 1955, and April 5, 1956, which were false; one charge of conspiracy to defraud for that he together with another conspired together to cheat and defraud Her Majesty Queen Elizabeth II and the Commissioners of Inland Revenue of moneys due for tax by concealing by means of false statements and false documents the payment of certain tax-free bonuses to employees of that firm, so as to render himself liable to exclusion or suspension from membership of the

Institute. The Committee found that the formal complaint against Harry Bouch, A.C.A., had been proved and the Committee ordered that Harry Bouch, A.C.A., of Old George Chambers, High Street, Market Drayton, Shropshire, be excluded from membership of the Institute.

Incorporated Accountants' Benevolent Fund

NOTICE IS GIVEN that the sixty-fifth annual meeting of subscribers will be held at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, on Monday, June 30, 1958, at 3 p.m., for the purpose of receiving the report and accounts for the year 1957, electing Trustees, electing an Honorary Auditor, altering the Rules and of considering and, if thought fit, passing the following resolution:

This annual meeting of the subscribers to the Incorporated Accountants' Benevolent Fund hereby requests and authorises the Trustees to take all such steps and to incur all such expense as the Trustees may think necessary with a view to arranging with the sanction of the High Court a transfer of the assets of the Fund to the Chartered Accountants' Benevolent Association on such terms and with such safeguards for the protection of the possible beneficiaries of the Fund as the Trustees may in their absolute discretion determine.

Note: In accordance with Rule 18 the Trustees have received from a subscriber the following motion which will be considered at the annual meeting and if approved by a majority of the subscribers present will become operative, namely: That the rules and regulations of the Incorporated Accountants' Benevolent Fund be altered in manner following, that is to say:

(a) By deleting from Rule 16 the words "but within the limits prescribed by Rule 17."

(b) By deleting the second sentence of Rule 17 and by substituting therefor the following sentence: "The Trustees shall be entitled to make grants out of both capital and income of the Fund."

Report of the Trustees

The revenue of the Fund in 1957 at £4,531 shows an increase of £103 over that in the previous year. The rules limit the expenditure in any one year to the amount of the income derived in the previous year from subscriptions and dividends from investments. The income from these sources during the last five years was:

	£
1953	4,294
1954	4,306
1955	4,361
1956	4,428
1957	4,531

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Rarely before in this century have investment yields been as high as they are today, but equally rarely has the investor stood in so much danger of capital loss.

Within the past twelve months the prices of Government securities have fallen on average by 12 per cent., and those of industrial Ordinary shares by almost twice as much; and, with the economic outlook so uncertain, further wide fluctuations in share values cannot be ruled out.

INTEREST $7\frac{1}{2}\%$ PER ANNUM

An investment free of these risks is offered by Awley Finance, a company specialising in the financing of hire purchase and credit sale transactions; the investor depositing his money with Awley Finance can assure himself of the exceptionally favourable return—even by present-day standards—of $7\frac{1}{2}$ per cent per annum, without exposing capital to erosion by Bank Rate adjustments, Stock Market upheavals, and so on. Deposits can always be encashed at their full face value at agreed periods of notice of six months or less, while arrangements can be made for substantial withdrawals on demand, and this investment does not entail any costs of stamp duty, brokerage fees, or legal charges. The interest rate is **FIXED** under the terms of the Company's deposit receipt, and is **not automatically reduced** in the event of a reduction in Bank Rate.

Assets exceed £1,500,000

Capital and reserves exceed £750,000

But, it may be asked, is the money deposited with a hire purchase finance company safe, especially at a time when a recession may be on the way? The answer is that it enjoys complete security under any con-

ditions with Awley Finance. The Company's total assets exceed £1,500,000, it has capital and reserves exceeding £750,000, and its earnings record is excellent; but in addition to the protection given to the depositor in the exceptional strength of the company's financial structure, Awley Finance follows the practice of limiting deposits to a sum not exceeding its own capital and reserves.

No prior charges on assets

As there are no prior charges, deposits are therefore covered by assets to the extent of more than 200 per cent., which means that they are completely safeguarded against any conceivable disturbance of hire purchase activity arising from changes in the economic situation. And deposit interest, it should be noted, is covered several times by earnings and takes priority over dividends.

Interest is paid quarterly . . .

. . . and can be paid gross (i.e. without deduction of United Kingdom Income Tax) if the deposit is made for a fixed period. Awley Finance supplies its depositors with audited Accounts and Balance Sheet at the end of each HALF-YEAR, enabling depositors and their financial advisers to maintain up-to-date observation on the Company's trading progress and financial soundness.

Because of its own restriction on total deposits, Awley Finance can accept only a limited amount of new money, and early applications are therefore invited from those wanting to take advantage of this exceptional investment opportunity. **Balance sheet and earnings record will be supplied on request.**

Substantial commissions continuing during the entire period of investment are paid to professional firms who arrange deposits for their clients

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4%	Subscription Shares
3½%	Paid-up Shares
3%	Deposit Accounts
	Interest from date of investment
	Income Tax paid by the Society

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ONE OF THE BIG SIX

The Trustees express their deep gratitude to all who contributed to the Fund, and particularly desire to record their special appreciation of the following:

	£
Estate of Mrs. L. A. Barker, dec'd (Legacy)	150
The T. C. Fitton Will Trust (9th instalment)	105
I. J. G. Babbage (Edith Sendell Fund)	28
The Incorporated Accountants' Lodge	26

Integration

The implementation of the schemes of integration between the Society of Incorporated Accountants and the English, Scottish and Irish Institutes of Chartered Accountants have not had any automatic effect upon the Fund which continues to operate under its existing rules.

Consideration is, however, now being given to ways and means of amalgamating the Fund with the Chartered Accountants' Benevolent Association which is a similar Fund in relation to the English Institute. Such an amalgamation which could probably be carried out only by a transfer of the assets of the Society's Fund to the Institute Fund would have to be approved by the High Court and would entail an alteration of the rules of the Institute Fund to enable it to assume all the obligations of the Society's Fund, including of course those in relation to all past and present members of the Society (and their dependants) who did not or could not join the English Institute under the scheme of integration. The Trustees are seeking the authority of subscribers at the annual meeting to be held on June 30, 1958, to take the necessary steps at the earliest opportunity in the manner indicated above. A motion will also be before the subscribers at the annual meeting to approve an amendment of Rule 17 to give the Trustees power to pay grants out of capital or income without reference to the income derived in the previous financial year from annual subscriptions and dividends from investments. This alteration in the rules is recommended to safeguard the position of applicants to the Fund until such time as firm arrangements for the future can be settled.

Trustees

It is with great regret that the Trustees report the resignation of Mr. Ralph Macaulay Branson, who had acted as a Trustee since 1936. The Trustees desire to place on record their appreciation of Mr. Branson's interest and invaluable work for the Fund for so many years.

Mr. Edward Baldry was appointed as a Trustee to fill this vacancy and the resolution for his formal appointment will be submitted to subscribers at the annual meeting.

The Work of the Fund

During the year the Trustees received with regret the report of the death of two bene-

ficiaries. Two other beneficiaries were happily able to dispense with further assistance from the Fund owing to an improvement in their circumstances, but further calls were made during the year and assistance was given to 47 beneficiaries in 1957.

The grants made during 1957 can be classified as follows:—

	Number of cases	Total grants £
Widows and dependants of deceased members	24	2,033
Education and support of children	13	1,209
Members or former members	10	891
		<u>4,133</u>

The amounts disbursed to beneficiaries during the past five years were:

	Amount disbursed £	Number of beneficiaries
1953 ..	3,640	41
1954 ..	3,640	35
1955 ..	3,769	40
1956 ..	4,107	45
1957 ..	4,133	47

Honorary Auditor

Mr. James A. Allen, Chartered Accountant, London, has indicated his willingness to

continue in office as Honorary Auditor, and a motion for his re-election will be put at the Annual Meeting. The Trustees desire to record their grateful thanks for his services to the Fund.

Members' Library

A SUPPLEMENT to the "Short List" of books has now been issued. Copies, which contain additions to April, 1958, will be sent to members by the Librarian, free and post free, on receipt of an adhesive label. Copies of the last edition of the "Short List," published in August, 1957, are still available.

New Subscription Rates

APPLICATION HAS BEEN made to the Privy Council for allowance of the proposed new bye-laws 42 and 44, approved at the special meeting of the Institute held on May 7. The new bye-laws will come into operation and take effect on the first day of January following their being allowed by the Privy Council. We shall report the result of the application to the Privy Council when known. In the meantime we give the subscription rates, as set out in the proposed new bye-law 42, and the present rates.

Subscription category		Proposed annual subscription		Present annual subscription
<i>Members in practice within the Metropolis</i>				
A	Fellow	£15 15 0	A	£10 10 0
B	Associate	£10 10 0	B	£5 5 0
C	Incorporated accountant member, F.S.A.A.	£5 5 0	C	£5 5 0
D	Incorporated accountant member, A.S.A.A.	£5 5 0	D	£5 5 0
<i>Members in practice in England or Wales but not within the Metropolis</i>				
E	Fellow	£12 12 0	E	£8 8 0
F	Associate	£8 8 0	F	£4 4 0
G	Incorporated accountant member, F.S.A.A.	£4 4 0	G	£4 4 0
H	Incorporated accountant member, A.S.A.A.	£4 4 0	H	£4 4 0
<i>Members residing in but not practising in England or Wales</i>				
J	Fellow	£7 7 0	J	£5 5 0
K	Associate	£5 5 0	K	£3 3 0
L	Incorporated accountant member, F.S.A.A.	£3 3 0	L	£3 3 0
M	Incorporated accountant member, A.S.A.A.	£3 3 0	M	£3 3 0
<i>Members not residing in England or Wales</i>				
N	Fellow	£5 5 0	N	£4 4 0
P	Associate	£3 3 0	P	£2 2 0
Q	Incorporated accountant member, F.S.A.A.	£2 2 0	Q	£2 2 0
R	Incorporated accountant member, A.S.A.A.	£1 1 0	R	£1 1 0

District Societies

London and District Society

Annual General Meeting

The Problem of Size—and of Member Participation

THE ANNUAL GENERAL meeting of the District Society was held at the Chartered Insurance Institute, Aldermanbury, E.C.2, on May 22. Mr. E. K. Wright, M.A., F.C.A., Chairman of the District Society, presided. In proposing the adoption of the annual report, he said:

The Committee's report shows that 1957-58 has been an eventful and, I think I can claim, a successful year for your Society.

Integration

The most important matter, of course, has been integration with the Society of Incorporated Accountants. We have done our best to make integration at the district level a success and to assure former incorporated accountants that they will receive a warm welcome. Invitations were issued in the first week of November to all in our area, and nearly two thousand have so far joined our Society. The size of the numbers involved shows the difficulty of making personal contact: I hope our new members will help us by attending our functions and making themselves known; may I repeat again, we are very glad to have them with us. At the committee level integration has been a complete success. Seven members of the Incorporated Society have joined us and have provided a powerful reinforcement; we already know each other well and are working together as a single team.

Size of the London Area

Our area extends from Bedford to Guildford and from Oxford to Southend. There are ten thousand members of the Institute within these bounds, of whom about a half have joined the London and District Society. How can we organise such an area so that it is a dynamic, homogeneous body enjoying local loyalties such as the smaller provincial district societies possess? This is our main problem. Some day perhaps a new Home Counties District Society will be hived off from our area; this will depend upon the emergence of strong local leadership and will in any case depend upon the initiative of the Institute rather than ourselves. In the meantime we are doing what we can by way of decentralisation. We started the year with local groups at Reading and Southend and within the past month two promising new groups have been formed. One covers Bedfordshire, Buckinghamshire and Hertfordshire, and the other Oxford and District. I am most grateful to the members who have undertaken the organisation of these groups. We wish them every success.

In the Metropolitan area the taxation and management groups formerly run by the

Incorporated Society have been added to the four discussion groups which previously existed. I think these small informal groups form an invaluable forum for the exchange of information and ideas and for the building up of professional friendships. During the year communication between the groups and the district committee has been fostered by the appointment of liaison officers: the arrangements promise well; we are kept in touch with the opinions of our members and the groups can learn something of what we are trying to do.

Other Activities

Apart from the encouragement of groups, we try to provide for the needs of members by organising a wide variety of functions—lectures, lunches, a dinner-dance, a residential course, meetings to welcome newly-qualified accountants, and so on. Many are well attended. The dinner-dance was heavily oversubscribed and we are encouraged to think on more ambitious lines for next year. The lunches attract more than 250 attenders on each occasion, the residential course on taxation was fully subscribed. The evening lectures, however, can cater for many more than actually attended. Last year my predecessor appealed for greater support. May I echo that appeal? I know that home has a great attraction at the end of a busy day; I know that the lectures can be read in comfort in the professional Press. But distinguished people go to a great deal of trouble to prepare these talks and I think that as a matter of courtesy they should enjoy a good and representative audience.

Autumn Meeting

During the year Mr. Aston and his committee have been preparing for the Autumn Meeting of the Institute which is being held in London on October 2, 3 and 4. They have had a lot to do and have produced an important and enjoyable programme. I have no doubt that the papers and discussions at the business sessions will create a climate of opinion which will influence the progress of the profession in future years. The social side promises equally well: it offers a wide variety of attractions with a particularly London flavour and the ladies will find that they have been well catered for.

I confess I am an addict for autumn meetings—I have been to each of the five that have been held since the war and I am convinced they serve a very useful purpose. Some people argue that the papers can equally well be read in the professional Press, but reading is a poor substitute for actual participation in the meetings. The informal exchange of ideas and information is invaluable—"What is all this about the incorporation of professional firms?"; "How are your surtax cases getting on now the umbrella has been removed?"; "What are you doing about management accounting?"; "How do you get such a steady flow of good articulated clerks?" I have rarely returned without a fund of new ideas which have stimulated my professional work. And the social functions, besides being enjoyable

in themselves, have led to many friendships, both for myself and my wife, which we greatly value. Above all, the autumn meetings underline our membership of a great profession; if we are to be good accountants we cannot work in a vacuum and association with our colleagues is essential; from such association we derive a sense of direction, purpose, standards and community.

I know that many members who have not previously attended an autumn meeting think that they will not know anyone and in particular that their wives may feel out of touch. This has not been the general experience at provincial meetings and we in London have every expectation of again being able to provide the atmosphere of a large family gathering. We certainly hope to see many new faces this year, not least those of our members who were previously incorporated accountants and whose presence will be a further step in cementing integration.

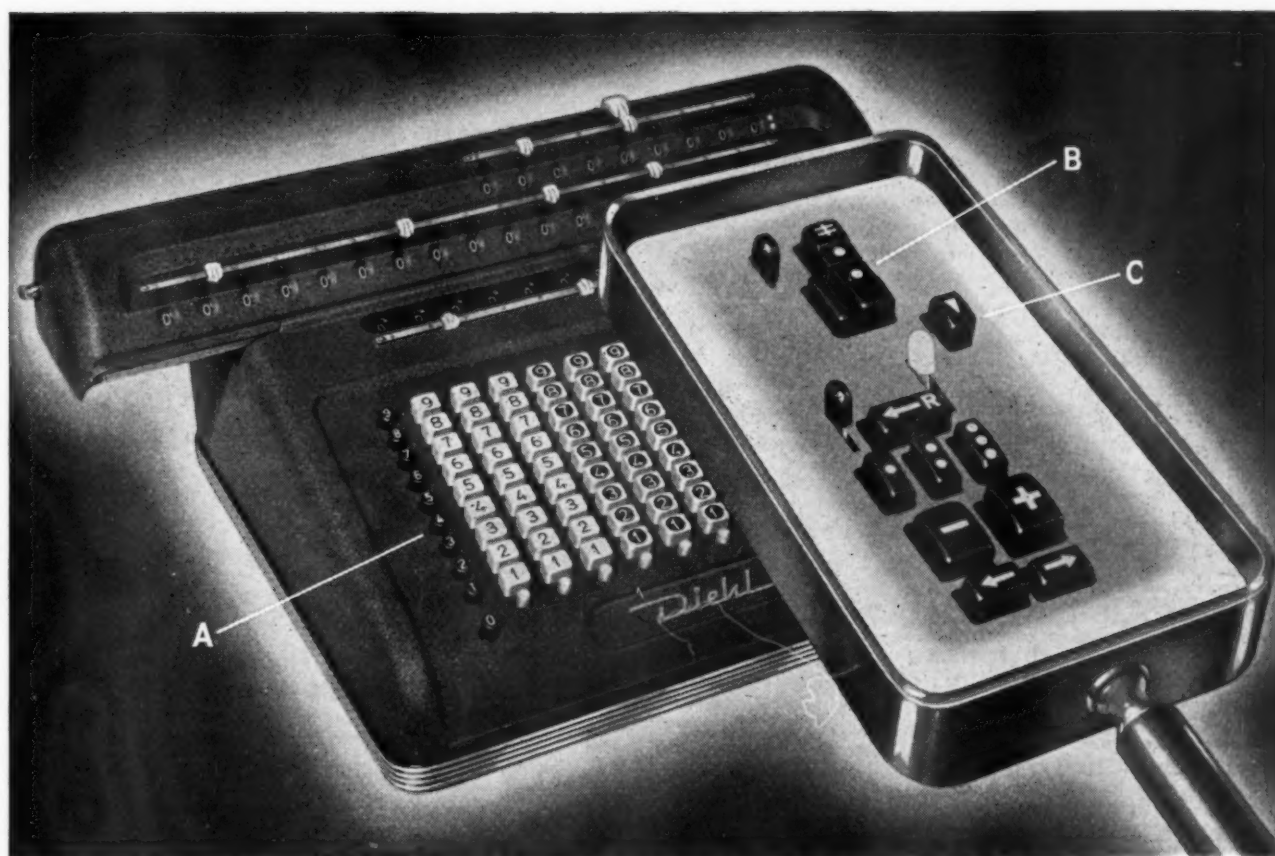
This will be the first autumn meeting to be held in London since 1921 and the first your committee has organised. It is a heavy responsibility and it gives the London and District Society a great opportunity. I hope that a large number of London members, and their ladies, will attend, not only to support the occasion, but also because it will help to bring our Society together. If this statement of mine should be read by any of your friends outside London, may I assure them of a warm welcome and say that I hope we shall be able to reciprocate the hospitality which we have often enjoyed at their meetings.

Thanks to Committee

I am most grateful to the committee for their help and encouragement during the year. Individual members have responded to every request I have made for help. Mr. Aston, as Vice-Chairman, has supported me at every turn and has made my year practicable by taking on the great task of chairing the hard worked Autumn Meeting Committee. Mr. Cassleton Elliott, with our Secretary, was responsible for the organisation of our Taxation Conference. Mr. Simmonds and his friends from the Incorporated Society have made integration a pleasure. Mr. Appleyard and his helpers have broken new ground in encouraging recruitment for the profession. The past chairmen have guided me without dictating to me. The group liaison officers have performed a new and valuable function. And our honorary secretary, Mr. Cocke, has as ever been cheerful, helpful and unbelievably industrious. I thank them all, named and unnamed, most sincerely.

The Obligations of Members

I have given you a brief review of the state of affairs of your Society and of the problems of your committee. May I conclude with a brief word about your obligations as members. To do so may appear pompous and didactic; please believe me when I say I do not intend it that way. A professional man is not an individual working in a



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MR. C. W. ASTON, A.C.A.

Mr. Charles Whitmore Aston, the new Chairman of the London and District Society of Chartered Accountants, was born in 1901 and educated at King Edward's School, Birmingham. Articled to a London firm of Chartered Accountants, he secured second place in the Final examination of the Institute of Chartered Accountants in England and Wales. Mr. Aston went to Deloitte, Plender, Griffiths & Co. in 1922 and in 1939 joined the Peninsular & Oriental Steam Navigation Company as chief accountant. In 1950 he was appointed a general manager; he is responsible for all matters connected with finance. Since 1955 he has served on the Taxation and Research Committee of the Institute. Mr. Aston is a member of the Council of the Chamber of Shipping; since 1944 he has been a member of its Taxation Committee and since 1951 chairman. He is a member of the Council of the International Fiscal Association.

vacuum; he is a member of an organisation which depends for its strength on the interchange of ideas, on standards of work, and conduct and etiquette built on the association of its members, on communal research. A profession may get along well enough for a time if it enjoys inspired leadership, but in the long run it will languish unless it has the active support of its individual members. Indifference is today a real danger, whether it be in the affairs of Church or State, local government, trade unions or professional associations. So I conclude by asking all members to take an interest in the London and District Society—attend its functions, join its groups, stand for its committee, help its student societies, support its efforts for the Benevolent Association, encourage it, criticise it by all means, but do not be

apathetic towards it. Sir Francis Bacon expressed what I am trying to say when he wrote:

I hold every man a debtor to his profession, from the which as men do seek to receive countenance and profit, so ought they of duty to endeavour themselves, by way of amends, to be a help and an ornament thereunto.

Elections to Committee

After the report, seconded for adoption by Mr. C. W. Aston, A.C.A., Vice-Chairman, had been adopted, the following retiring members of the Committee were declared re-elected, there being no other candidates in the categories:

Members in practice: Mr. J. A. Allen, Mr. G. F. Ansell, Mr. J. D. Russell, Mr. H. Gordon Smith, Miss Ethel Watts, Mr. E. K. Wright.

Member in the service of a practising accountant: Mr. G. B. C. Hughes.

Members not in either of the foregoing categories: Mr. J. S. Harrower, Mr. R. O. A. Keel, Mr. J. R. Robinson.

London and District Society

Election of Chairman and Vice-Chairman

At a meeting of the Committee held on June 11, Mr. C. W. Aston, A.C.A., was elected Chairman and Mr. J. D. Russell, M.A., F.C.A., Vice-Chairman.

London Students' Society

News from the Committee By a student member

Committee

At the annual general meeting all the members of the committee retiring and standing for re-election were duly elected and there are also two new members to fill the vacancies that were left open till the annual general meeting. They are Mr. C. L. Llewellyn-Smith and Mr. V. G. B. Walt.

Branches

The committee has set up a special sub-committee to review activities and finances of the Branch Societies, and to make recommendations for the future including considering the setting up of new branches. These branch societies, at Chelmsford, Dorking, Bedfordshire and Southend, have been established for a number of years and carry out successful programmes of lectures and discussions locally. With the increased number of members due to integration it may be possible to consolidate, to start some new branches and possibly even to make some of them independent of the London Students' Society.

Annual General Meeting Motion

The committee have referred to the Programmes Sub-Committee for consideration the following motion passed at the annual general meeting:

That future programmes of lectures to be held by this Society include lectures on



MR. WALTER EDMUND PARKER, C.B.E., F.C.A.

Mr. W. E. Parker is the new President of the London Chartered Accountant Students' Society, of which he has been a member since 1926. He was born in 1908 and was educated at Winchester, where he was an Exhibitioner and at time of leaving a Senior Commoner. He was articled to Mr. F. S. Price, F.C.A., of Price Waterhouse & Co., obtained honours in the Intermediate examination of the Institute and became a member in 1931. He served in the Essex Regiment in the war, until seconded for work in the Board of Trade, where he was an Assistant Secretary. In 1944 he was admitted (in absentia) a partner in Price Waterhouse & Co. He was made a Commander of the British Empire in 1946. His public work includes membership in 1948 of the committee for investigating the black market in petrol and membership from 1946 to 1953 of the Census of Production Advisory Committee.

Mr. Parker has been Vice-Chairman and Chairman (1956/57) of the London and District Society of Chartered Accountants, a member of the Taxation and Research Committee of the Institute since 1954 and on the Council of the Institute since February, 1957. He was joint honorary auditor of the London Accountant Students' Society from 1947 until this year.

examination subjects in addition to those normally held on subjects for wider education.

Library

The committee wish to record their thanks to Mr. A. G. Montgomery for a gift of a number of *Students' Telephones* to the library. The Society is also receiving a number of books from the Library of the Society of Incorporated Accountants.

Badminton

The resignation of the Badminton captain, Mr. B. Page, due to pressure of study has been received with regret. Mr. J. R. Carter has agreed to undertake this work.

Bradford and District Students' Society

THE FOLLOWING OFFICERS and committee have been elected: *President*, Mr. G. M. Holroyde, F.C.A.; *Vice-Presidents*, Mr. F. W. Boyce, M.C., T.D., F.C.A., and Mr. W. A. Heap, B.A., L.I.B., A.C.A.; *Secretary*, Mr. R. B. Knowles, A.C.A.; *Treasurer*, Mr. A. J. de L. Taylor; *Lecture Secretary*, Mr. C. Dean; *Membership Secretary*, Mr. J. S. Hendry; *Bradford Tuition Secretary*, Mr. W. D. Hitchenor; *Librarian*, Mr. R. S. Fraser, B.COM., A.C.A.; *Committee*, Mr. E. R. Armstrong, Mr. G. O. Ireson, Mr. K. Knight, Mr. R. Sunderland, Mr. J. E. Tuke, Mr. J. S. Workman. *Halifax Branch Representative*, Mr. C. J. L. Bowes, B.A.; *Representative of the District Society Committee*, Mr. C. W. Allan, B.COM., F.C.A.

Report

Sixteen meetings and works visits have taken place during the session. We have continued to welcome students of the Society of Incorporated Accountants and to attend their meetings. A residential course was held in March, 1957, and another was arranged for March, 1958.

A Halifax Branch was inaugurated in 1957, and organised three visits and a cricket match. The Huddersfield Branch continued its activities.

The membership at the end of 1957 was 282, including 113 qualified and 169 student members.

Twenty-four members passed the Final examination in November, 1956, and May, 1957, and 32 the Intermediate. Prizes and certificates of merit were awarded to six of them.

The jubilee year dinner was held in December, 1957. The President, Vice-Presidents and past Presidents have presented a President's Jewel to mark the fiftieth anniversary of the formation of the Society.

Publication of the *Newsletter* is being continued.

Coventry Area Branch

THE FOLLOWING OFFICERS and committee have been elected: *Chairman*, Mr. J. R. Mead, F.C.A., J.P.; *Vice-Chairman*, Mr. D. H. Smale, A.C.A.; *Treasurer*, Mr. G. F. B. Peirson, F.C.A.; *Secretary*, Mr. M. J. Kirby, F.C.A.; *Librarian*, Mr. T. D. Kelly, A.C.A.; *Committee*, Mr. F. H. Parkinson, F.C.A., Mr. A. H. Smalley, F.C.A., Mr. G. E. Withers, A.C.A., Mr. B. K. Mead, A.C.A., and Mr. D. Salmon, A.C.A.

Leicestershire and Northamptonshire Students' Society**Report**

THE MEMBERSHIP ON December 31 was 54 honorary and 133 ordinary members.

About 200 student members are being welcomed under the scheme of integration.

The lecture programme has been enlarged and the committee hopes for a better attendance. Thanks are accorded to the lecturers and chairmen.

Sporting activities have included cricket, tennis, hockey and football matches.

The President and Secretary of the Institute visited the Society in October.

Twenty-two members passed the Final and fourteen passed the Intermediate examination during 1957.

In Northampton lectures have again been held in conjunction with the Incorporated and Certified students.

Manchester Students' Society

THE FOLLOWING OFFICERS have been elected: *President*, Mr. F. C. Hoyle, F.C.A.; *Vice-President*, Mr. A. T. Eaves, M.M., F.C.A.; *Hon. Secretary and Treasurer*, Mr. C. W. R. Johnson, A.C.A.; *Hon. Librarian*, Mr. A. Rothburn, F.C.A.

Annual Report

There were 729 ordinary and 304 honorary members on December 31. These figures do not include any admissions under the scheme of integration. The Bolton Branch had 40 students.

Twenty evening lectures were given during the year. These cover a wider field than the examination syllabus, and students have obtained considerable benefit from them. Visits were paid to the stock exchange.

The Joint Tuition Committee again arranged courses of Saturday morning lectures at Manchester and Preston. Residential courses were held jointly with the Liverpool Society in March and September.

The Committee congratulates members who were successful in the Institute examinations. Eighty-three passed the Final and 106 the Intermediate.

Rugby football, cricket and golf matches were played.

The annual dinner was held in March.

North Lancashire Branch

MR. E. W. WELLS is the new Chairman of the North Lancashire Branch of the Manchester Society. The other officers have been re-elected.

Report

The membership on December 31 was 262.

The five Sub-Branched and the Blackpool and Preston Students' Societies have continued their activities.

Saturday morning lectures are attended by a satisfactory number of students.

The committee records with regret the death of Mr. G. Waterworth, a past Chairman of the Branch and a past President of the Manchester Society.

Students' Society of North Lincolnshire

AT THE ANNUAL general meeting on April 2, the following officers were appointed:

President, Mr. A. A. Beardsall, F.C.A.; *Vice-Presidents*, Mr. G. R. Smith, F.C.A., Mr. L. S. Wrightson, A.C.A., Mr. K. B. Collinson, A.C.A.; *Honorary Secretary*, Mr. D. J. Berman; *Honorary Treasurer*, Mr. B. H. Fawcett; *Honorary Lecture Secretary*, Mr. T. C. Moss; *Honorary Auditor*, Mr. J. B. Harrison, F.C.A.; *Committee*, Mr. J. B. Mathews, Mr. J. B. Gladwin, Mr. A. G. Horton, Mr. G. McIntyre, Mr. J. B. Haryott.

Report

There were 30 student members on December 31. It is hoped that with integration the membership will be more than doubled.

Nine lectures were arranged in conjunction with the other professional bodies. A course of Saturday morning lectures proved so successful that a complete course has now been instituted.

A residential course will be held in the autumn in conjunction with the Students' Societies of Sheffield and Leicester.

The Committee congratulates six members who passed the Final and five who passed the Intermediate examination.

Northern Students' Society

THE FOLLOWING OFFICERS and committee were recently elected: *President*, Col. R. Mould Graham, O.B.E., M.C., T.D., D.L., F.C.A.; *Chairman*, Mr. K. Patterson, A.C.A.; *Vice-Chairman*, Mr. B. H. Newton, A.C.A.; *Honorary Auditors*, Mr. F. S. Thompson, F.C.A., and Mr. G. Stobbs; *Honorary Treasurer*, Mr. W. F. Partridge; *Honorary Secretary*, Mr. D. J. Croucher, c/o Messrs. Price Waterhouse & Co., 31 Mosley Street, Newcastle upon Tyne, 1; *Honorary Membership Secretary*, Mr. R. S. Morpeth; *Committee*, Mr. R. J. Churchill, M.A., A.C.A., Mr. J. R. Barker, Mr. M. Harris, Mr. J. E. Mattinson, Mr. G. Murrin, A.C.A., Mr. G. R. L. Parkinson, Mr. S. H. Reilly, Mr. G. Whitehead, and (ex-officio) Mr. R. P. Winter, M.C., T.D., Mr. J. M. S. Coates, O.B.E., F.C.A., D.L., F.C.A., Mr. O. J. Saint.

Report

The membership at December 31, 1957, was 401, including 138 qualified, 220 ordinary and 220 special.

Student members of the Incorporated Accountants' North of England District Society are being welcomed into this Society.

Amendments to the rules have been adopted, and committee members are now eligible to serve for three years without re-election.

Fifteen ordinary meetings were held in Newcastle upon Tyne. Incorporated students attended from the beginning of the winter session. The North-Western Branch held eleven meetings in Carlisle and Workington.

The annual residential course was held in March, 1957, at University College, Durham. A further course was arranged for March, 1958, in University College.

Saturday morning tuition classes continue to be held.

The committee congratulates the members successful in the Institute examinations in 1957: 42 in the Intermediate and 27 in the Final.

The annual dinner was held in March, a pot pie supper in September, and a dance in December. Bad weather caused the cancellation of all sports fixtures except one soccer match.

Preston Students' Society

Annual Report

THE MEMBERSHIP is ninety-five. In view of the integration scheme amendments to the rules have been adopted and an increased membership is anticipated: the committee desires to welcome the new members who will be admitted.

Tuition lectures are organised by the Manchester District Society and its North Lancashire Branch. The Burton Manor residential course was lengthened to seven days, and as a result of integration an alternative course has been arranged for the spring of 1958 at Hulme Hall, Manchester.

The Society won all its sports matches with the Preston Law Debating Society and a football match with Blackpool students. The joint dance with the Law Students was again a great success.

Congratulations are extended to members who passed the Institute examinations—nine the Final and sixteen the Intermediate.

South Lancashire Branch

At the annual general meeting of the South Lancashire Branch of the Liverpool Society, held at St. Helens on March 27, the following officers were elected: Chairman, Mr. W. I. Livesey, J.P., A.C.A.; Vice-Chairman, Mr. L. A. Pardey, F.C.A.; Honorary Secretary, Mr. E. S. Stanley, A.C.A.; Honorary Treasurer, Mr. S. Dobb, A.C.A.

An amendment to the rules of the Branch, increasing the number of the Committee from nine members to twelve, was approved. The three new vacancies were filled by members who were previously Incorporated Accountants.

The annual dinner was held later the same evening. The Branch Chairman, Mr. W. I. Livesey, presided and together with Mr. W. S. Carrington, a Past President of the Institute of Chartered Accountants in England and Wales, received over 100 members and guests. Among them were Lieut. General The Lord Weeks, K.C.B., D.S.O. (Chairman of the Finance Corporation for Industry); Mr. T. Taylor, M.C., LL.B. (Town Clerk of St. Helens and President of St. Helens & District Law Society); Mr. G. F. Saunders and Mr. A. D. Walker (members of the Council of the Institute); Brigadier D. V. Phelps (Chairman of the Executive Board, Pilkington Brothers

Limited); Mr. E. W. R. Bywaters (Secretary, St. Helens Centre, Institute of Bankers); Mr. J. A. Cremin (District Inspector of Taxes, St. Helens); and representatives of the Liverpool District Society and the Chester and North Wales Branch.

Sussex Students' Society

THE FOLLOWING OFFICERS and committee were elected: President, Mr. C. R. P. Goodwin, F.C.A.; Vice-Presidents, Mr. R. McNeil, F.C.A., Mr. S. Ohly, F.C.A., and Mr. C. H. Tyson, B.Sc., F.C.A.; Chairman, Mr. G. W. Davies, F.C.A.; Vice-Chairman, Mr. W. R. McBrien, F.C.A.; Hon. Secretary, Mr. T. T. Nash, A.C.A., 33 Lawrence Road, Hove; Hon. Assistant Secretary, Mr. G. Goddard; Hon. Treasurer, Mr. G. E. C. Burrows; Committee, Mr. M. Abrahams, Mr. A. Archdale-Smith, Mr. N. R. Caplen, Mr. A. G. J. Keat, Mr. R. J. Treen; Hon. Auditor, Mr. I. R. McNeil, A.C.A. *Hastings Branch*: Chairman, Mr. W. R. McBrien, F.C.A.; Hon. Secretary, Mr. R. Miller, 48 Havelock Road, Hastings; Hon. Assistant Secretary, Mr. A. Colegrave. *Eastbourne Secretary*: Mr. D. Allan, 17 Gildredge Road, Eastbourne.

West Wales Students' Society

THE FOLLOWING OFFICERS and committee have been elected: President, Mr. D. F. Pratten, A.C.A.; Vice-President, Mr. R. Gibb, A.C.A.; Honorary General Secretary, Mr. L. Matthews, c/o Messrs. Sidney H. Buckland & Son, Moorgate House, 6 Christiana Street, Swansea; Honorary Lecture Secretary, Mr. T. G. Calvert; Honorary Treasurer, Mr. P. M. Smart; Honorary Sports Secretary, Mr. A. Edwards; Committee, Mr. G. E. Gibbs, F.C.A., J.P., Mr. J. G. Powell, A.C.A., Mr. H. Wilson Thomas, F.C.A., Mr. T. C. Grocock, Mr. T. Knowles, Mr. W. J. Lavington, Miss J. J. Maull, Miss A. Griffiths, Mr. I. B. Anjous, and Mr. N. H. Davies.

Chartered Accountants' Golfing Society

THE FIFTY-NINTH annual meeting was held at Weston-super-Mare on May 3. Forty members were present.

The retiring President, Mr. J. B. Pittman, was re-elected, and Mr. L. R. Elcombe, Mr. D. V. House, Mr. L. E. Parsons and Mr. R. J. Pigott were re-elected Vice-Presidents. Mr. D. V. House was elected Captain and re-elected as Honorary Secretary and Treasurer; Mr. H. W. Pitt was elected Vice-Captain and Mr. C. I. Steen match secretary. Mr. C. G. Midgley was re-elected to the Committee and Mr. J. S.

Hyland was re-appointed Honorary Auditor.

Competitions were played at Burnham and Berrow Golf Club on May 3 and 4. The prizewinners were as follows:

Medal Competition: J. T. Isherwood, 84-13=71 (Captain's Prize and Ernest Cooper Challenge Cup); R. Davies, 92-18=74 (second prize on best score over last nine holes); P. Wand (scratch prize).

Saturday Foursomes: C. H. Young and K. Mustard, 31 points (first prize on better score over last nine holes); H. G. J. Foulger and D. W. Gibson, 31 (second prize).

Sunday Foursomes: J. D. Green and D. W. Gibson, 25+11.6/16ths=36.6/16ths (first prize); E. K. Govett and S. P. Bouverie, 21+10.15/16ths=31.15/16ths (second prize).

Chartered Accountants' Hockey Club

THE FIRST MATCH of the summer hockey season was played against Purley on May 21, and was won by three goals to two. J. A. Hulme scored twice for the Chartered Accountants, in the first ten minutes of the game, and J. A. Chester scored the deciding goal.

Prospective members are asked to write for particulars to the Honorary Secretary, Mr. Wentworth L. Rowland, F.C.A., Cross Keys House, 56 Moorgate, London, E.C.2.

Chartered Accountants' Lodge

AT THE INSTALLATION meeting at the Piccadilly Hotel, London, W.1, on May 14, W. Bro. Rodway Stephens, L.G.R., was installed in the Chair by W. Bro. Miles Cecil Rhodes, P.P.G.Std.

The officers appointed were: W. Bro. Rodway Stephens, L.G.R., P.M.—W.M.; W. Bro. Miles Cecil Rhodes, P.P.G.Std.—I.P.M.; Bro. J. K. White—S.W.; Bro. L. J. Northcott—J.W.; W. Bro. H. M. Hawthorne, L.G.R., P.M.—Treasurer; V.W. Bro. Geoffrey Bostock, P.G.Treas., P.M.—Secretary; W. Bro. D. Percy Jones, L.G.R., P.M.—D.C.; Bro. W. H. Parton—S.D.; W. Bro. A. A. B. Yeatman, P.G.Std., P.M.—Organist; Bro. K. S. Carmichael—J.D.; Bro. Harry Hodgson—L.G.; Bro. G. S. H. Dicker—Steward; W. Bro. R. H. Truelove, L.G.R.—Tyler.

Among those present were V.W. Bro. H. A. R. J. Wilson, P.G.Treas., P.P.G.W. (Middlesex); W. Bro. G. A. Hakim, W.M. Incorporated Accountants' Lodge; W. Bro. J. C. Chaumeton, P.M. Incorporated Accountants' Lodge; W. Bro. H. A. King, W.M. Semper Vigilans Lodge; W. Bro.

Wallace Hepburn, L.G.R., P.A.G.D.C.; W. Bro. G. F. Sanger, P.A.G.D.C.; W. Bro. A. J. Rowe, P.G.P.; W. Bro. W. G. Campbell, L.G.R., P.M.; W. Bro. N. H. Stubbs, L.G.R.; W. Bro. F. Clive De Paula, T.D., P.M.; W. Bro. S. A. Spofforth, L.G.R., P.P.S.G.D. (Sussex).

The next meeting of the Lodge, on Wednesday, October 1 occurs just before the Autumn Meeting of the Institute. It was suggested that brethren visiting London for that meeting might be given the opportunity of attending the Lodge on October 1. Masons interested in this suggestion are invited to write before July 31 to the Secretary, V.W. Bro. Geoffrey Bostock, P.G.Treas., at 21 Ironmonger Lane, London, E.C.2.

Forthcoming Events

Billingham

June 18.—Luncheon, followed by an impromptu discussion on professional and topical matters. Billingham Arms Hotel, at 1 p.m.

Birmingham

Final students' lectures are given at the Chartered Auctioneers' and Estate Agents' Sale Room, St. Philip Place

June 20.—Students' annual tennis tournament. Edgbaston Lawn Tennis Club.

June 21.—"Accounts: Royalties, Containers," by Mr. A. V. Sharman, and "Law: Trusts and Trustees (1)," by Mr. D. Liddell. Final students' lectures, at 9.30 and 10.30 a.m.

June 28.—"Company Accounts: Valuation of Shares," by Mr. T. A. Hamilton Baynes, and "Law: Trusts and Trustees (2)," by Mr. D. Liddell. Final students' lectures, at 9.30 and 10.30 a.m.

July 5.—"Auditing: Investigations," by Mr. A. S. Maddison, and "Accounts: Machine Accounting," by Mr. B. W. Sutherland. Final students' lectures, at 9.30 and 10.30 a.m.

Grimsby

June 16.—Lunch. Visit of District Society President, Mr. D. C. S. Downs, F.C.A. Royal Hotel, at 1 p.m.

Leeds

June 27.—Luncheon meeting. Great Northern Hotel.

London

June 17.—Students' cricket match v. Birmingham Students' Society.

June 30.—Incorporated Accountants' Benevolent Fund annual general meeting of subscribers and donors. Incorporated Accountants' Hall, W.C.2, at 3 p.m.

July 2.—The Institute of Chartered Accountants, annual religious service. St.

Margaret's Church, Lothbury, E.C.2, at 1 p.m.

Personal Notes

Messrs. Bartfield & Co., Chartered Accountants, London, W.1, announce that Mr. E. N. Goodman has retired from the partnership. The practice is being continued by the remaining partners at the same address.

Mr. E. N. Goodman is now practising at 86/87 Wimpole Street, London, W.1, under the style of Everard Goodman & Co., Chartered Accountants.

Mr. J. R. Stephenson, A.C.A., has been appointed secretary/accountant of Bulk Liquid Transport Ltd. and the Peter Slater group of companies, Gildersome, near Leeds.

Mr. S. M. Caldwell, Chartered Accountant, Liverpool, has been joined in partnership by Mr. P. N. Guest, A.C.A., and the style of the firm is now Caldwell and Guest. They have taken over the practice of McBurnie and Constantine, Chartered Accountants, with whom Mr. Guest has been associated for some time. Mr. D. McBurnie, F.C.A., has retired from the latter firm, and its offices have been transferred to 318 Tower Building, Water Street, Liverpool, 3, which remains the address of Messrs. Caldwell and Guest.

Messrs. Fisher and Finlay, Chartered Accountants, London, W.1, announce that Mr. Gerald Myers, A.C.A., who has been associated with them for a number of years, has been admitted into the partnership. The firm is now Fisher, Finlay, Myers and Co.

Mr. J. L. Dickinson, A.C.A., has been elected a special director of the Skefco Ball-Bearing Co. Ltd. and assumes the position of executive assistant to the managing director. Mr. Dickinson continues as secretary of the company.

Mr. J. Reeve, A.C.A., has been appointed secretary/accountant of Rhodesia Century Building Society, Salisbury, Southern Rhodesia.

Messrs. Edwin Hubbard and Co., London, E.C.4, announce that Mr. P. L. Jones, A.C.A., and Mr. A. C. Plumeridge, A.A.C.C.A., have been admitted into partnership. The practice is being continued under the same name.

Messrs. Parnell, Crewdson and Hardy, Chartered Accountants, Lagos and Kaduna, Northern Nigeria, announce that Mr. A. Ehren, A.C.A., who was with the firm for a number of years in England and has been manager in Nigeria, is now a resident partner in the Nigerian practice.

Mr. Terence Graham, A.C.A., has taken up the appointment of assistant accountant to Duple Motor Bodies Ltd., London, N.W.9.

Messrs. Alex. M. Shaw & Co., Chartered Accountants, advise that they have admitted to partnership Mr. William C. Shaw, C.A. The firm name is unchanged.

Captain J. E. Stone, C.B.E., M.C., F.S.A.A., has retired from King Edward's Hospital Fund for London, of which he was Director of the Division of Hospital Facilities. He has had a long and distinguished career in the hospital service and is well-known as an author on hospital work and practice, and as a pioneer on cost accounting for hospitals. He has been very active in international hospital affairs.

Mr. A. L. Sacks, A.S.A.A., C.A. (S.A.), has become the Durban partner in Messrs. J. L. Sacke, Sacks & Co.

Mr. F. W. Moore, F.C.A., has been elected chairman of the Kingsbridge Urban District Council. He was previously chairman in 1954/55.

Messrs. C. N. Walter, Lester & Co., Chartered Accountants, London, E.C.2, announce that they have admitted into partnership Mr. E. A. Highmore, A.C.A., and Mr. E. J. G. Atkins, A.C.A., both of whom have been associated with the firm for several years.

Removals

Messrs. J. H. Lord & Co., Chartered Accountants, advise that their address is now changed to Lee Chambers, Bacup, Lancashire.

Messrs. Gerald Edelman & Co., Chartered Accountants, have moved to 25 Harley Street, London, W.1.

Obituary

Sir Hugh Golding Cocke

SIR HUGH GOLDING COCKE, A.C.A., whose death on May 27 at the age of seventy-six we record with very great regret, had been a member of the Institute since 1905. He served his articles in London, but soon after qualifying went to Bombay, where he became a partner in the firm of A. F. Ferguson & Co., and took an active part in public life.

He became a member of Bombay municipality in 1919, was nominated to the Bombay Legislative Council in 1922, and from 1924 to 1932 was a member of the Bombay Legislative Assembly. His knighthood was conferred in 1929. He was President of the Bombay Chamber of Commerce in 1928 and 1932, and Sheriff of Bombay in 1933.

Sir Hugh's public services continued after his return to England in 1934. He was chairman of the Hampshire and Isle of Wight Agricultural Wages Committee, and vice-chairman of Portsmouth Diocesan Board of Finance.

The Bishop of Portsmouth took part in the funeral service at St. Mary's Church, Liss, on May 30.

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APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Monarch 8506.

APPOINTMENTS VACANT

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Applications are invited from Associates of the Institute of Cost & Works Accountants who should be in the age range 25-28 and have 2-4 years' experience in industry since qualifying. A degree in economics or commerce would be an advantage.

Local salary according to qualifications and experience, but not less than £2,100 p.a. Pension Scheme. Kit Allowance. Write for application form sending brief details and quoting K.2469 to Box Z/80 c/o 191 Gresham House, E.C.2.

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ASSISTANT ACCOUNTANT. A U.K. Company has a vacancy for an Assistant Accountant on a Sugar Estate in Trinidad. Applicants should be Chartered Accountants, and aged 25-30. Married man preferred. Starting at a four figure salary plus annual bonus. Free furnished house. Pension Scheme. Two weeks' local leave each year and four months' home leave each third year. Passages paid both on first appointment and for home leave. Apply with full particulars to Box T.1800/6, c/o FOSTER TURNER & EVERETTS LTD., 11 Old Jewry, London, E.C.2.

ASSISTANT ACCOUNTANT required by BAHAMAS ELECTRICITY CORPORATION for appointment on contract for one tour of three years in first instance. Salary £1,700 a year (fixed). Gratuity £100 a year. Assistance towards cost of housing. Free passages. Liberal leave on full salary. Candidates must hold recognised accountancy qualification and have experience in final accounts, superannuation schemes and capital expenditure control, preferably at Headquarters or Sub-Area level of an Electricity Board. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M3A/44787/AD.

ASSISTANT ACCOUNTANT
A U.K. Company has a vacancy for a young assistant accountant on a Sugar Estate in Jamaica. Applicants should be Chartered Accountants, single, and not older than 27. Starting salary £1,000 plus annual bonus. Free accommodation. Pension Scheme. Two weeks' local leave a year and 4 months' home leave each 3rd year. Passage paid both on first appointment and for home leave. Apply with full particulars to Box No. 1725 c/o CHARLES BARKER & SONS LTD., Gateway House, London, E.C.4.

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TURQUAND, YOUNGS & CO., 19 Coleman Street, E.C.2., invite applications for appointment to their Eastern firm in Malaya from recently-qualified Chartered Accountants and those with some professional experience since qualifying. Preferably single and under 35 years of age. Commencing salary and allowance for newly-qualified men equivalent to £1,680. Three-and-a-half years' contract, progressive salary; four months leave at end of contract, or six months if returning for further tour. Good future and prospects for right man. Apply STAFF MANAGER.

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Preference will be given to candidates who have accountancy experience in a trading organisation.

Fully paid leave at the rate of five days per month of residential service.

Applications should set out full particulars, stating appointment applied for, professional qualifications, age, experience, marital status, etc., and the amount of notice required before leaving England to take up an appointment. The names of three referees should be given. Interviews for a selected short list of candidates will be arranged in London. Applications must be addressed to F. J. LATTIN, ESQ., C.M.G., 27 Regent Street, London, S.W.1, before 30th June.

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